Document No. 42B

BOND INFORMATION STATEMENT
State of South Dakota
SDCL 6-8B-19

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Every public body, authority, or agency issuing any general obligation, revenue, improvements, industrial revenue, special assessment, or other bonds of any type shall file with the Secretary of State a bond information statement concerning each issue of bonds.

1. Name of issuer: Minnehaha County

2. Designation of issue: $630,000 Series 2005B Limited Tax General Obligation Certificates

3. Date of issue: October 1, 2005

4. Purpose of issue: refund all or a portion of the Certificates of Participation (Limited Tax Obligation) Series 1997B and the Certificates of Participation (Limited Tax Obligation) Series 1995 which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of an expo center

5. Type of bond: certificates of participation evidencing undivided interests in lease payments to be made by the Minnehaha County pursuant to a lease-purchase agreement with U.S. Bank National Association

6. Principal amount and denomination of bond:

$630,000 in denominations of $5,000 or any integral multiple thereof

7. Paying dates of principal and interest:

June 1 and December 1 of each year commencing June 1, 2006.

over

8. Amortization schedule:

See attached Official Statement

9. Interest rate or rates, including total aggregate interest cost:

See attached Official Statement

This is to certify that the above information pertaining to Minnehaha County is true and correct on this 26th day of October, 2005.

LINDQUIST & VENNUM P.L.L.P., as
Bond Counsel

By: _____

For further information regarding the enclosed filing, contact Elizabeth G. Aby, Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, Minnesota (612/371-3535)

OFFICIAL STATEMENT DATED OCTOBER 4, 2005

TWO NEW ISSUES **Rating: Moody's: Aa2**

In the opinion of Bond Counsel the interest component of the Lease Payments received by the owners of the 2005 Certificates, is not includable in gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers, including individuals, is required to be included in the calculation of adjusted current earnings to be used in computing corporate alternative minimum taxable income and is includable in gross income for South Dakota tax purposes when the owner is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. The County will designate the Lease Payments relating to the 2005 Certificates as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. See "Tax Matters" herein.

$1,700,000 LIMITED TAX GENERAL OBLIGATION CERTIFICATES, SERIES 2005A
$630,000 LIMITED TAX GENERAL OBLIGATION CERTIFICATES, SERIES 2005B
Evidencing Undivided Interests in Lease Payments to be Made by
MINNEHAHA COUNTY, SOUTH DAKOTA
Pursuant to a Lease-Purchase Agreements with
U.S. BANK NATIONAL ASSOCIATION

Dated: October 15, 2005 **Due:** December 1, as shown on the inside cover

The Certificates of Participation, Series 2005A (the "2005A Certificates") are being delivered to refund all or a portion of the Certificates of Participation (Limited Tax Obligation) Series 1997A (the "1997A Certificates"), the Certificates of Participation (Limited Tax Obligation) Series 1999 (the "1999 Certificates") and the Certificates of Participation (Limited Tax Obligation) Series 2000 (the "2000 Certificates") which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of a work release facility, law enforcement facility, juvenile corrections facility, jail and courthouse. The 2005A Certificates represent proportionate interests in payments to be made by Minnehaha County (the "County") under a Lease-Purchase Agreement dated as of September 1, 1992, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of November 1, 1994, the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997, the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999, the Fourth Amendment to Lease-Purchase Agreement, dated as of December 1, 2000, the Fifth Amendment to Lease Purchase Agreement, dated as of September 1, 2004 and the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Administration and Law Enforcement Lease") with U.S. Bank National Association, as successor in interest to First Trust National Association, U.S. Bank National Association and First Bank of South Dakota (National Association) (the "Trustee").

The Certificates of Participation, Series 2005B (the "2005B Certificates") are being delivered to refund all or a portion of the Certificates of Participation (Limited Tax Obligation) Series 1995 (the "1995 Certificates") and the Certificates of Participation (Limited Tax Obligation) Series 1997B (the "1997B Certificates), which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of the Sioux Empire Fair Expo Building (the "Expo Building"). The 2005B Certificates represent proportionate interests in payments to be made by Minnehaha County (the "County") under a Lease-Purchase Agreement, dated as of November 1, 1994, as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of September 1, 1995, the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997, and the Third Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Expo Lease") with the Trustee.

The County has agreed to levy a tax annually which is intended to provide the Trustee with sufficient revenue to make all Lease Payments under the Trust Agreements as they become due.

The 2005A Certificates and the 2005B Certificates (collectively, the "2005 Certificates") will be issued pursuant to a book-entry system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. There will be no distribution of the 2005 Certificates in certificate form to the ultimate purchasers (the "Beneficial Owners") except as provided herein. See "THE CERTIFICATES OF PARTICIPATION" herein. Interest on the 2005 Certificates will be payable on June 1 and December 1 of each year, commencing June 1, 2006, by check or draft mailed by U.S. Bank National Association, Saint Paul, Minnesota, or its successor, as paying agent, transfer agent and registrar (the "Operations Agent") to the Owners of record thereof as of the close of business on the fifteenth day (whether or not such day is a Business Day) of the month preceding such payment at the addresses appearing in the certificate register maintained by the Operations Agent. Principal of the 2005 Certificates is payable at maturity upon surrender thereof at the designated office location of Operations Agent. So long as DTC or its nominee is the registered owner of the 2005 Certificates, disbursement of payments of principal and interest to DTC is the responsibility of the Operations Agent and disbursement of such payments to the Beneficial Owners is the responsibility of DTC, as more fully described herein.

The 2005 Certificates will be subject to redemption prior to maturity. See "The Certificates of Participation – Redemption."

The 2005 Certificates are offered when, as and if issued subject to the opinion of Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, as to validity and tax exemption. Certain legal matters will be passed on for the County by Gordon Swanson, Deputy State's Attorney, and for the Underwriters by their counsel, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. It is expected that delivery of the 2005 Certificates will be made through the facilities of The Depository Trust Company on or about October 26, 2005, against payment therefor.

Subject to prevailing market conditions the Underwriters may, but are not obligated to, effect secondary market transactions. The Underwriters are not obligated, however, to repurchase any of the 2005 Certificates. See the caption "UNDERWRITING" herein.

DOUGHERTY & COMPANY LLC **PIPER JAFFRAY & CO.**

The 2005A Certificates mature on December 1 as follows:

MATURITY SCHEDULE

Maturity	Amount	Interest Rate	Price	Cusip
2015	$195,000	4.00%	101.661	603848 DH2
2016	200,000	4.00	100.825	603848 DJ8
2017	495,000	4.00	100.409	603848 DK5
2018	395,000	4.25	102.056	603848 DL3
2019	260,000	4.25	101.640	603848 DM1
2020	155,000	4.25	101.226	603848 DN9

The 2005B Certificates mature on December 1 as follows:

MATURITY SCHEDULE

Maturity	Amount	Interest Rate	Price	Cusip
2015	$355,000	4.00%	101.661	603848 DP4
2016	275,000	4.00	100.825	603848 DQ2

(Price – 100% plus Accrued Interest from October 15, 2005)

This Official Statement does not constitute an offer to sell the 2005 Certificates in any state or other jurisdiction to any person whom it is unlawful to make such offer in such state or jurisdiction. No dealer, salesman, or any person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2005 Certificates, and if given or made , such information or representation must not be relied upon.

The information set forth herein has been furnished by the County and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the County or anyone acting on its behalf. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 2005 Certificates shall, except as specifically stated herein, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

The 2005 Certificates have not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions contained in the Securities Act of 1933.

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IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$1,700,000
Limited Tax General Obligation Certificates,
Series 2005A
$630,000
Limited Tax General Obligation Certificates,
Series 2005B
Evidencing Undivided Interests in Lease Payments
to be Made by Minnehaha County
Pursuant to a Lease-Purchase Agreement with
U.S. Bank National Association

INTRODUCTION

Definitions

Certain terms used in this Official Statement, if not defined herein, are defined in Appendix A hereto.

General Description

The purpose of this Official Statement, including the cover pages and Appendices hereto, is to provide information in connection with the offering, sale and delivery of $1,700,000 aggregate principal amount of 2005A Certificates and $630,000 aggregate principal amount of the 2005B Certificates described herein. Each of the 2005 Certificates represent the undivided ownership interest of the Owner thereof in and to the respective Lease (as defined hereinafter) and the right to receive certain revenue thereunder, including, without limitation, the Lease Payments due under the respective Lease, at the times, in the manner and from the sources specified therein.

The Trustee has issued the 2005A Certificates pursuant to the Administration and Law Enforcement Trust Agreement. The Trustee's interest in the Administration and Law Enforcement Lease and in the 1992 Facilities which are the subject to the Administration and Law Enforcement Lease, including the right to receive Lease Payments under the Administration and Law Enforcement Lease, has been assigned to the Trustee for the benefit of the Owners of the 2005A Certificates pursuant to the terms of the Administration and Law Enforcement Trust Agreement. Pursuant to the Lease, the County will remit such Lease Payments under the Administration and Law Enforcement Lease directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENTS--Lease Term and Payments."

Pursuant to the Administration and Law Enforcement Ground Lease, dated as of November 1, 1992, as amended and supplemented, the Trustee leased the Administration and Law Enforcement Land from the County for a term ending on December 1, 2025, with an automatic renewal for an additional 10 years, if the Administration and Law Enforcement Certificates have not been fully paid at the expiration of the initial term.

Pursuant to the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Sixth Amendment to Administration and Law Enforcement Lease"), by and between the Trustee as lessor and the County as lessee, the Trustee will refund all or a portion of the Certificates of Participation

(Limited Tax Obligation) Series 1997A (the "1997A Certificates"), the Certificates of Participation (Limited Tax Obligation) Series 1999 (the "1999 Certificates") and the Certificates of Participation (Limited Tax Obligation) Series 2000 (the "2000 Certificates") which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of a work release facility, law enforcement facility, juvenile corrections facility, jail and courthouse. Pursuant to the Lease-Purchase Agreement, dated as of September 1, 1992 (the "Original Administration and Law Enforcement Lease"), the Trustee issued the 1992 Certificates to finance the acquisition, remodeling, expansion, construction and equipping of facilities, which included some or all of the following: (i) a work release facility, (ii) a law enforcement facility, (iii) the juvenile corrections facility and (iv) the County Courthouse (the "1992 Facilities"). Pursuant to the First Amendment to Lease-Purchase Agreement, dated as of November 1, 1994 (the "First Amendment to Administration and Law Enforcement Lease"), the Trustee issued the 1994A Certificates to complete the 1992 Facilities. Pursuant to the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997 (the "Second Amendment to Administration and Law Enforcement Lease"), a portion of the Series 1994A Certificates were refunded. Pursuant to the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999 (the "Third Amendment to Administration and Law Enforcement Lease") the Trustee refunded the 1992 Certificates. Pursuant to the Fourth Amendment to Lease Agreement, dated as of December 1, 2000 (the "Fourth Amendment to Administration and Law Enforcement Lease"), the Trustee issued the 2000 Certificates and the 2001 Certificates to finance the costs of acquisition, construction, furnishing and equipping of a jail on the Land. Pursuant to the Fifth Amendment to Lease Agreement, dated as of September 1, 2004 (the "Fifth Amendment to Administration and Law Enforcement Lease"), the Trustee issued the 2004 Certificates to refund a portion of the Series 2000 Certificates and the 2001 Certificates. The Original Administration and Law Enforcement Lease, as amended and supplemented by the First Amendment to Administration and Law Enforcement Lease, the Second Amendment to Administration and Law Enforcement Lease, the Third Amendment to Administration and Law Enforcement Lease, the Fourth Amendment to Administration and Law Enforcement Lease, the Fifth Amendment to Administration and Law Enforcement Lease and the Sixth Amendment to Administration and Law Enforcement Lease is collectively referred to herein as the Administration and Law Enforcement Lease.

The Trustee has issued the 2005B Certificates pursuant to the Expo Trust Agreement. The Trustee's interest in the Expo Lease and in the Expo Building which are the subject of the Expo Lease, including the right to receive Lease Payments under the Expo Lease, has been assigned to the Trustee for the benefit of the Owners of the 2005B Certificates pursuant to the terms of the Expo Trust Agreement. Pursuant to the Expo Lease, the County will remit such Lease Payments under the Expo Lease directly to the Trustee. The Lease Payments are payable by the County as described in "LEASE-PURCHASE AGREEMENTS--Lease Term and Payments."

Pursuant to the Expo Ground Lease, dated as of November 1, 1994, as amended and supplemented, the Trustee leased the Expo Land from the County for a term ending on December 1, 2016, with an automatic renewal for an additional 10 years, if the Expo Certificates have not been fully paid at the expiration of the initial term.

Pursuant to the Third Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Third Amendment to Expo Lease"), by and between the Trustee as lessor and the County as lessee, the Trustee will refund all or a portion of the Certificates of Participation (Limited Tax Obligation) Series 1995 (the "1995 Certificates") and the Certificates of Participation (Limited Tax Obligation) Series 1997B (the "1997B Certificates"), which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of the Expo Building. Pursuant to the Lease-Purchase Agreement, dated as of November 1, 1994 (the "Original Expo Lease"), the Trustee issued the 1994B Certificates to finance the acquisition, remodeling, expansion, construction and equipping of the Expo Building. Pursuant to the Second Amendment to the Lease-Purchase Agreement, dated as of April 1, 1997 (the

"Second Amendment to Expo Lease"), the Trustee issued the 1997B Certificates to refund a portion of the 1994B Certificates. Pursuant to the First Amendment to Lease-Purchase Agreement, dated as of September 1, 1995 (the "First Amendment to Expo Lease"), the Trustee issued the 1995 Certificates to complete the Expo Building. The Original Expo Lease, as amended and supplemented by the First Amendment to Expo Lease, the Second Amendment to Expo Lease and the Third Amendment to Expo Lease is collectively referred to herein as the Expo Lease.

THE CERTIFICATES OF PARTICIPATION

General Provisions

Each series of the 2005 Certificates will be authenticated and issued by the Trustee pursuant to the respective Trust Agreement. The 2005 Certificates will be initially dated October 15, 2005 and will mature as shown on the inside cover page hereof. Interest on the 2005 Certificates is payable on each June 1 and December 1, commencing June 1, 2006. The 2005 Certificates are issuable in denominations of $5,000. Each Certificate evidences the Owner's right to receive distributions of a portion of the respective Lease Payments payable by the County pursuant to the respective Lease. Principal with respect to the 2005 Certificates shall be payable at the corporate trust office of the Operations Agent, acting as registrar and paying agent, in St. Paul, Minnesota. Interest with respect to the 2005 Certificates shall be payable by check or draft of the Operations Agent, acting as registrar and paying agent, mailed on the Interest Payment Date to the owner of record as of the fifteenth day (whether or not a business day) of the month preceding the Interest Payment Date, at the address shown on the Certificate Register required to be maintained by the Operations Agent, acting as registrar and paying agent. The 2005 Certificates delivered prior to June 1, 2006 will be dated October 15, 2005, 2005 Certificates delivered on or after June 1, 2006, will be dated the preceding Interest Payment Date, or, if delivered on an Interest Payment Date, the date of delivery. The 2005 Certificates may be transferred, and principal with respect to the 2005 Certificates will be payable upon surrender at the principal corporate trust office of the Operations Agent, acting as registrar and paying agent, in the manner provided in the Trust Agreement.

Ownership of the 2005 Certificates will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as securities depository for the 2005 Certificates. Unless and until the book-entry system with respect to the 2005 Certificates is terminated by DTC or the County, beneficial ownership interests in the 2005 Certificates may be acquired in book-entry from only, in the principal amount of $5,000 or any integral multiple thereof of a single maturity, and will not be evidenced by individual certificates.

Book-Entry Only System

Information concerning The Depository Trust Company, New York, New York ("DTC") and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Underwriters or the Trustee.

Certificates in Book-Entry Form

Beneficial ownership in the 2005 Certificates will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the "Book-Entry System") maintained by DTC. If the 2005 Certificates are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under "Discontinuance of DTC Services", the following discussion will not apply.

DTC and Its Participants

DTC will act as securities depository for the 2005 Certificates. The 2005 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered bond certificate will be issued for each maturity of the 2005 Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company, organized under the laws of the State of New York, a Member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC or its agents hold securities that its participants ("Participants") deposit with DTC or its agents. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants accounts thereby eliminating the need for physical movement of securities Certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2005 Certificates under the DTC System must be made by or through Direct Participants which will receive a credit for the 2005 Certificates on DTC's records. The ownership interest of each actual purchaser of a Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in 2005 Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in 2005 Certificates, except in the event that use of the Book-Entry System for such 2005 Certificates is discontinued.

To facilitate subsequent transfers, all 2005 Certificates deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2005 Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2005 Certificates. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2005 Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the 2005 Certificates are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2005 Certificates. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2005 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2005 Certificates will be made to DTC. DTC's practice is to credit Direct Participant's accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Discontinuance of DTC Services

DTC may discontinue providing its services as securities depository with respect to 2005 Certificates at any time by giving notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be authenticated and delivered.

The Issuers may, as provided in the Lease, decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be authenticated and delivered for the 2005 Certificates.

According to DTC, the foregoing information with respect to DTC has been provided to the Industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

THE INFORMATION IN THIS SECTION HAS BEEN FURNISHED BY DTC. NO REPRESENTATION IS MADE BY THE ISSUER, THE TRUSTEE, THE CORPORATION OR THE UNDERWRITERS AS TO THE COMPLETENESS OR ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF. NO ATTEMPT HAS BEEN MADE BY THE ISSUER, THE CORPORATION, THE TRUSTEE OR THE UNDERWRITERS TO DETERMINE WHETHER DTC IS OR WILL BE FINANCIALLY OR OTHERWISE CAPABLE OF FULFILLING ITS OBLIGATIONS. NEITHER THE ISSUER NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS, OR OTHER PERSONS FOR WHICH THEY ACT AS NOMINEES WITH RESPECT TO THE 2005 CERTIFICATES, OR FOR ANY PRINCIPAL OR INTEREST PAYMENT THEREON.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR BENEFICIAL OWNERS.

Redemption

Extraordinary Redemption. Each series of the 2005 Certificates are subject to redemption, in whole, but not in part, on any date for which notice of redemption can be given, at a redemption price

equal to their principal amount plus accrued interest, if the County elects, or is required to prepay the Lease Payments relating to the related 2005 Certificates upon the occurrence of certain events of damage to, or destruction or condemnation of the respective Facilities covered by the respective Lease.

Optional Redemption. Each series of the 2005 Certificates maturing on and after December 1, 2015, are subject to redemption on and after December 1, 2015, in whole or in part on any date, at a redemption price equal to the principal amount to be redeemed, plus accrued interest.

Selection of Certificates for Redemption. The 2005 Certificates shall be called for redemption in inverse order of maturity dates; if less than all the 2005 Certificates maturing on the same date are to be redeemed, the 2005 Certificates shall be selected by lot in such manner as the Trustee shall determine; provided that the portion of any 2005 Certificate to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. When redemption is authorized or required, the Trustee shall give the Owners of the 2005 Certificates to be redeemed notice of the redemption of their 2005 Certificates. Such notice shall specify: (a) the 2005 Certificates (or portion thereof) to be redeemed; (b) the date of redemption; and (c) the place or places where the redemption will be made. Such notice shall further state that on the specified redemption date interest on the 2005 Certificates to be redeemed shall cease to accrue and be payable.

Notice of such redemption shall be given not less than 30 days prior to the redemption date by publication in Authorized Newspapers and by mailing first class, postage prepaid, copies thereof to the Owners whose 2005 Certificates are to be redeemed. Failure to mail such notice shall not affect the validity of the proceedings for the redemption of the 2005 Certificates.

Additional Certificates

(a) Additional Certificates may be issued under and be equally and ratably secured by the respective Trust Agreement on a parity with the Certificates issued under the respective Trust Agreement and any other Additional Certificates Outstanding, at any time and from time to time, for any of the following purposes.

(1) To provide funds to pay all or any part of the costs of completing the respective Project, the total of such costs to be evidenced by a certificate signed by an Authorized Officer of the County.

(2) To provide funds to pay all or any part of the costs of repairing, replacing or restoring the respective Project in the event of damage, destruction or condemnation thereto or thereof, but only to the extent that such costs exceed the Net Proceeds of the insurance or condemnation awards out of which such costs are to be paid pursuant to the respective Lease.

(3) To provide funds to pay all or any part of the costs of acquisition, construction, furnishing and equipping of additions to the respective Facilities.

(4) To provide funds for refunding all or any portion of the respective Certificates of any series issued under the respective Trust Agreement then Outstanding, including the payment of any premium thereon and interest to accrue to the designated redemption date and any expenses in connection with such refunding.

(b) Before any Additional Certificates shall be issued under the respective Trust Agreement, the County shall adopt a resolution (i) authorizing or approving the issuance of such Additional Certificates; (ii) authorizing or approving the execution of a Supplemental Trust Agreement for the purpose of issuing such Additional Certificates and fixing the amount and terms thereof and describing the purpose or purposes for which such Additional Certificates are being issued or describing the Certificates to be refunded; and, if required, (iii) authorizing the execution of an amendment to the Lease to provide for Lease Payments at least sufficient to pay amounts representing principal, premium, if any, and interest with respect to the Certificates then to be Outstanding (including the Additional Certificates to be issued) as the same become due.

(c) Except as to any difference in date, maturity, interest rate or redemption provisions, such Additional Certificates shall be on a parity with and shall be entitled to the same benefit and security of the respective Trust Agreement as the Certificates and any other Additional Certificates Outstanding after the issuance of such Additional Certificates.

(d) Such Additional Certificates shall be executed substantially in the form and manner set forth in the respective Trust Agreement, upon filing with the Trustee of the following:

(1) An original or certified copy of the resolution adopted by the County Board authorizing or approving the issuance of such Additional Certificates and the execution of such Supplemental Trust Agreement.

(2) An original executed counterpart of the Supplemental Trust Agreement providing for the issuance of such Additional Certificates.

(3) An original executed counterpart of the amendment to the Lease, if required, which amendment shall clearly establish that the County has agreed that the Additional Certificates shall constitute Certificates for the purpose of computing the required Lease Payments.

(4) A request and authorization to the Trustee, on behalf of the County, executed by an Authorized Officer of the County, to execute the Additional Certificates and to deliver them to the Original Purchaser therein identified upon payment of the purchase price thereof to the Trustee.

(5) An opinion of counsel nationally recognized in the area of municipal finance to the effect that the issuance of such Additional Certificates will not result in amounts representing interest payable with respect to any Certificates then Outstanding (including such Additional Certificates) becoming includable in gross income for federal income tax purposes.

(6) In the case of Additional Certificates being issued to refund Outstanding Certificates, such additional documents as shall be reasonably required by the Trustee to evidence that provision has been duly made in accordance with the provisions of the Trust Agreement for the payment of all of the Certificates to be refunded.

(7) Such other Certificates, statements, receipts and documents as the Trustee shall reasonably require for the delivery of such Additional Certificates.

(e) Except as described above, no obligations payable from the sources pledged for payment or security of the Certificates relating to the related Trust Agreement, shall be issued on a parity with the

related Certificates relating to the Trust Agreement, but obligations subordinate to the Certificates relating to the Trust Agreement, may be issued upon the express written direction and consent of the County.

SOURCE AND SECURITY FOR PAYMENTS

Lease Payments

The Leases require payment of semi-annual Lease Payments by the County, which payments are to be paid directly to the Trustee. The Lease Payments under the Sixth Amendment to Administration and Law Enforcement Lease are due from the County on the last Business Day of each May and November, commencing on the last Business Day of May, 2006. The Lease payments under the Second Amendment to Expo Lease are due from the County on the last Business Day of each May and November, commencing on the last Business Day of May, 2006.

The Leases are not subject to termination by the County except upon payment or prepayment of the respective Lease Payments, and the County's obligation to make Lease Payments is absolute and unconditional. The County has covenanted in the Resolutions that it will budget and appropriate sufficient moneys in each year of the Lease Term to pay the respective Lease Payments when due and to pay any other amounts payable by the County under the Leases. The County further covenants in the Resolutions that it will take all actions necessary to provide moneys to make such payments under the Leases, including the levy of such taxes as may be necessary, subject only to the limitations on such levies imposed by State law. The current limitations on the County's ability to levy taxes to pay the Lease Payments and other amounts payable under the Leases are discussed below.

Levy Limitations

The tax levy for general purposes by a county in the State cannot exceed twelve dollars ($12.00) per thousand dollars of taxable valuation. In addition to the tax levy for general purposes, a South Dakota county may levy up to $.90 per thousand dollars of taxable valuation for county buildings. South Dakota Codified Laws, Section 10-13-35 provides that the total amount of revenue derived from property taxes for county purposes may increase over the prior year's revenues by the smaller of three percent or the CPI inflation index and increases in revenues from additions, improvements or changes in the use of real property are permitted, as well as increased revenues resulting from annexations, reorganizations and certain other limited circumstances. Under South Dakota Codified Laws, Section 10-13-36, the revenue limitations under South Dakota Codified Laws, Section 10-13-35 may be exceeded by an excess tax levy imposed by a two-thirds vote of the County Commission, subject to a referendum by petition by 5% of the registered voters of the County. The County in July 2000 authorized an additional permanent tax levy under South Dakota Codified Laws, Section 10-13-36 (the "Opt Out Levy") not to exceed $1,150,000 for the calendar year 2000 taxes payable in calendar year 2001 and any subsequent calendar years. The County in July 2001 authorized an additional permanent tax levy under the Opt Out Levy not to exceed $500,000 for the calendar year 2001 taxes payable in calendar year 2002 and any subsequent years. The County in July 2005 authorized a tax levy under the Opt Out Levy not to exceed $260,000 beginning with the calendar year 2005 taxes payable in calendar year 2006 through calendar year 2024 taxes payable in calendar year 2025. These additional tax levies were approved by at least two-thirds of the County Commissioners and no petition seeking a referendum was filed by the registered voters of the County. The County levy subject to the general purpose and county building limitations collectible in 2005 is expected to be $2.492 per thousand dollars of taxable valuation. The Opt Out Levy is expected to be $.213 per thousand dollars of taxable valuation in 2005. Consequently, the total levy for county purposes, including the Opt Out Levy, in 2005 is expected to be $2.705 ($2.492 plus $.213) per thousand dollars of

taxable valuation. The County may use the proceeds of the general purpose levy, the county building levy and the Opt Out Levy to pay Lease Payments.

SOURCES AND USES OF FUNDS

A portion of the proceeds of the 2005A Certificates will be used to purchase certain direct obligations of the United States Treasury maturing in amounts and at such times as shall, together with the interest thereon, provide funds sufficient to redeem a portion of the 1997A Certificates, the 1999 Certificates and the 2000 Certificates. Such investments will be held by the Trustee in an escrow fund established by the Sixth Supplemental Administration and Law Enforcement Trust.

A portion of the proceeds of the 2005B Certificates will be used to purchase certain direct obligations of the United States Treasury maturing in amounts and at such times as shall, together with the interest thereon, provide funds sufficient to redeem a portion of the 1995 Certificates and the 1997B Certificates. Such investments will be held by the Trustee in an escrow fund established by the Second Supplemental Expo Trust.

A portion of the proceeds of the 2005A Certificates and the 2005B Certificates will also be used to pay costs of issuance of the 2005A Certificates and the 2005B Certificates.

SOURCES:	
Par Amount of 2005A Certificates	$1,700,000
Par Amount of 2005B Certificates	630,000
Reoffering Premium	29,364
Total Sources	$2,359,364
USES	
Deposit to Escrow Funds	$2,309,619
Costs of Issuance, including Underwriters' Discount	49,745
Total Uses	$2,359,364

THE COUNTY

The County is a body politic and corporate, organized under and pursuant to the constitution and laws of the State of South Dakota. The County has the authority to enter into a lease for the purpose of acquiring real and personal property for its governmental functions. General information regarding the County's location, organization, administration, economy, tax base, tax collections and financial conditions is included in Appendix B to this Official Statement.

LEASE-PURCHASE AGREEMENTS

The following is a summary of certain provisions of the Leases. This summary does not purport to be complete, and reference is made to the full text of the Leases for a complete recital of its terms.

Lease Term and Payments

The Lease-Purchase Agreement, dated as of September 1, 1992 (the "Original Administration and Law Enforcement Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of November 1, 1994 (the "First Amendment to Administration and Law Enforcement Lease"), the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997 (the "Second Amendment to Administration and Law Enforcement Lease"), the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999 (the "Third Amendment to Administration and Law Enforcement Lease"), the Fourth Amendment to Lease-Purchase Agreement, dated as of December 1, 2000 (the "Fourth Amendment to Administration and Law Enforcement Lease"), the Fifth Amendment to Lease Purchase Agreement, dated as of September 1, 2004 (the "Fifth Amendment to Administration and Law Enforcement Lease") and the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Sixth Amendment to Administration and Law Enforcement Lease") (collectively, the Original Administration and Law Enforcement Lease, as amended and supplemented by the First Amendment to Administration and Law Enforcement Lease, the Second Amendment to Administration and Law Enforcement Lease, the Third Amendment to Administration and Law Enforcement Lease, the Fourth Amendment to Administration and Law Enforcement Lease, the Fifth Amendment to Administration and Law Enforcement Lease and the Sixth Amendment to Administration and Law Enforcement Lease is referred to as the "Administration and Law Enforcement Lease"), extends until December 1, 2020. The first Lease Payments due under the Original Administration and Law Enforcement Lease were due on the last Business Day of November, 1992. The Lease Payments due under the Sixth Amendment to Administration and Law Enforcement Lease will continue semiannually with the last Lease Payment payable under the Sixth Amendment to Administration and Law Enforcement Lease is due on the last Business Day of November, 2020.

The Administration and Law Enforcement Lease shall terminate prior to December 1, 2020, upon the earliest of the following events:

(a) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to discharge the County's obligation to pay or prepay all unpaid Lease Payments under the Administration and Law Enforcement Lease when they are due; or

(b) the County elects to exercise its option to prepay all of the Lease Payments under the Administration and Law Enforcement Lease.

The Administration and Law Enforcement Lease is not otherwise terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Administration and Law Enforcement Lease.

The Lease-Purchase Agreement, dated as of November 1, 1994 (the "Original Expo Lease"), as amended and supplemented by the First Amendment to Lease-Purchase Agreement, dated as of September 1, 1995 (the "First Amendment to Expo Lease"), the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997 (the "Second Amendment to Expo Lease") and the Third Amendment to Lease-Purchase Agreement, dated as of October 1, 2005 (the "Third Amendment to Expo Lease") (collectively, the Original Expo Lease, as amended and supplemented by the First Amendment to Expo Lease, the Second Amendment to Expo Lease and the Third Amendment to Expo Lease is referred to as the "Expo Lease"), extends until December 1, 2016. The first Lease Payments due under the Original Expo Lease were due on the last Business Day of May, 1995. The Lease Payments due under the Third Amendment to Expo Lease will continue semiannually with the last Lease Payment payable under the Third Amendment to Expo Lease is due on the last Business Day of November, 2016.

The Expo Lease shall terminate prior to December 1, 2016, upon the earliest of the following events:

(c) the County elects to exercise its option to deposit with the Trustee cash or securities sufficient to discharge the County's obligation to pay or prepay all unpaid Lease Payments under the Expo Lease when they are due; or

(d) the County elects to exercise its option to prepay all of the Lease Payments under the Expo Lease.

The Expo Lease is not otherwise terminable by the County, and the County has covenanted to include each year in its annual budget moneys sufficient to pay the Lease Payments and other obligations of the County under the Expo Lease.

Consummation of Purchase

The Trustee's interest in the Administration and Law Enforcement Land and Administration and Law Enforcement Facilities will be transferred, conveyed and assigned to the County and the Administration and Law Enforcement Lease will terminate: (a) at the end of the Term of the Administration and Law Enforcement Lease, upon payment in full of all Lease Payments due thereunder and all other sums required to be paid thereunder; (b) prior to the end of the Term, on any date for the payment of a Administration and Law Enforcement Lease Payment on or after the last Business Day of November, 2020, upon payment by the County of the then current Principal Balance, in conjunction with the Lease Payment under the Administration and Law Enforcement Lease then due and owing; (c) prior to the end of the Term, if the County is not in default under the Administration and Law Enforcement Lease, upon payment of the then current Principal Balance in the event of damage, destruction and/or condemnation to the applicable Administration and Law Enforcement Land and Administration and Law Enforcement Facilities, and the County elects not to complete the repair, restoration, modification or improvement of the Administration and Law Enforcement Land and Administration and Law Enforcement Facilities; or (d) if the County discharges all Lease Payments by depositing cash or securities with the Trustee.

The Trustee's interest in the Expo Land and Expo Building will be transferred, conveyed and assigned to the County and the Expo Lease will terminate: (a) at the end of the Term of the Expo Lease, upon payment in full of all Lease Payments due thereunder and all other sums required to be paid thereunder; (b) prior to the end of the Term, on any date for the payment of a Lease Payment on or after the last Business Day of November, 2016, upon payment by the County of the then current Principal Balance, in conjunction with the Lease Payment under the Expo Lease then due and owing; (c) prior to the end of the Term, if the County is not in default under the Expo Lease, upon payment of the then current Principal Balance in the event of damage, destruction and/or condemnation to the applicable Expo Land and Expo Building, and the County elects not to complete the repair, restoration, modification or improvement of the Expo Land and Expo Building; or (d) if the County discharges all Lease Payments by depositing cash or securities with the Trustee.

Covenants of the County

The County represents, covenants and warrants, among other things, that: (a) the County is authorized under the Constitution and laws of the State to enter into the Leases and the transactions contemplated therein, and to perform all of its obligations thereunder; (b) the officers of the County executing the Leases have been duly authorized to execute and deliver the Leases; (c) the Facilities which are the subject of the Leases will be used during the Term of the Leases primarily to carry out the

governmental or proprietary purposes of the County and its departments, agencies, institutions, instrumentalities and political subdivisions; and (d) it will not take any action which would have the effect of subjecting the interest to be paid under the Leases to federal income taxes nor will it fail to take any action which failure could result in subjecting the interest to be paid under the Leases to federal income taxes.

Security in the Land and Facilities and Release of Land

The Land and Facilities subject to the respective Ground Lease and the respective Lease are held by the Trustee during the term of the respective Ground Lease and the respective Lease, unless the County discharges its obligation to make the Lease Payments pursuant to the respective Lease.

Pursuant to the Administration and Law Enforcement Lease, if no default exists, the County shall have the right, at any time and from time to time, to a release of Administration and Law Enforcement Land from the Administration and Law Enforcement Ground Lease, if such Administrative and Law Enforcement Land does not contain any permanent structure necessary for the total operating unity and efficiency of the existing structures on the Administration and Law Enforcement Land which are subject to the Administration and Law Enforcement Lease (the "Existing Structures") for the purpose of selling the same to a third person or to facilitate the construction or additional structures not related to the Existing Structures on the Administration and Law Enforcement Land, and the Trustee shall, from time to time, release from the Administration and Law Enforcement Ground Lease such real property so sold, pledged or disposed of, but only upon receipt by the Trustee of (1) a certificate of a County representative setting forth in substance as follows: (A) the number of acres or square feet of the property to be released, (B) the property to be released is not needed for the operation of the Existing Structures and is not necessary for the total operating unity and efficiency of the Existing Structures, (C) the release will not impair the structural integrity of the Existing Structures or the usefulness of the Existing Structures for their existing purposes and will not inhibit adequate means of ingress to or egress from the Existing Structures, and (D) all conditions precedent herein provided for relating to such release have been complied with, and (2) a survey prepared by a registered land surveyor describing and showing the Administration and Law Enforcement Land, after giving effect to such release; (3) A certificate of an independent engineer that the Administration and Law Enforcement Land to be released is not necessary for the total operating unity and efficiency of the Existing Structures; and (4) An opinion of counsel stating that the certificates, opinions and other instruments and cash which have been or are therewith delivered to and deposited with the Trustee conform to the requirements of the Administration and Law Enforcement Ground Lease and that, upon the basis of such application, the property may be released from the lien of the Administration and Law Enforcement Ground Lease, and that all conditions precedent herein provided for relating to such release have been complied with.

In addition, on December 1, 2020 all Administration and Law Enforcement Land except Lots 1-9 (Except Minnehaha County Planned Development Addition) and Lots 13-18 and vacated alley, Block 29 Brookings and Edmunds Addition to the City of Sioux Falls, Minnehaha County, South Dakota, according to the recorded plat thereof and that portion of vacated Dakota Avenue lying between blocks 20 & 29 of Brookings and Edmunds Addition to the City of Sioux Falls shall be released from the Administration and Law Enforcement Ground Lease if all Administration and Law Enforcement Certificates issued prior to October 27, 2005 and any Administration and Law Enforcement Certificates issued to refund such Administration and Law Enforcement Certificates under the Administration and Law Enforcement Trust Agreement have been defeased or paid.

Title to the Facilities subject to the Leases will pass to the County upon payment of an amount of cash or securities which are general obligations of the United States sufficient to pay all related Lease Payments when due or subject to prepayment.

Maintenance and Repair

The County agrees that at all times during the Term of the Leases, the County will, at the County's sole cost and expense, maintain, preserve and keep the Land and Facilities subject to the Leases, or part and parcel thereof, in good repair, working order and condition and that the County will from time to time make or cause to be made all necessary and proper repairs, replacements and improvements.

Restrictions on Assignment and Conveyance

Neither Leases nor the Land and Facilities subject to the Leases may be mortgaged, sold, leased, pledged, assigned, transferred, conveyed or otherwise encumbered by the County for any reason. Such restrictions shall not, however, preclude the County from assigning its obligations under the Leases, with the consent of the Trustee, or subleasing the Land and Facilities subject to the Leases to others for public purposes or in furtherance of any governmental or proprietary functions of the County. No such permitted use or lease shall relieve the County of its obligations under the Leases or cause the interest on the Leases and related Certificates to become subject to federal income taxation.

Taxes

The County shall pay all property and excise taxes and governmental charges of any kind whatsoever which may at any time be lawfully assessed or levied against or with respect to the Land and Facilities or any part thereof subject to the Leases or the Lease Payments, and which become due during the term of the Leases; and all special assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Land and Facilities subject to the Leases; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the term of the Leases as and when the same become due. The County shall not be required to pay any federal, state, or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate or other similar tax payable by the Trustee, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

Insurance

The County shall cause adequate casualty, public liability and property damage insurance in specified amounts (with respect to the casualty insurance, in an amount not less than the full insurable value of the Facilities subject to the Leases) to be carried and maintained with respect to the Land and Facilities and to protect the Trustee from liability in all events. The County may self-insure, subject to the conditions set forth in the Leases.

Indemnification Covenants

As between the Trustee and the County, the County assumes all risks and liabilities, whether or not covered by insurance, for loss or damage to the Facilities and for injury to or death of any person or damage to any property, whether such injury or death be with respect to agents or employees of the County, the Trustee or of third parties, and whether such property damage be to the County or the Trustee's property or the property of others, which is proximately caused by the negligent conduct of the County, its officers, employees, agents and lessees, or arising out of the operation, maintenance or use of the Land and Facilities by the County, its officers, employees, agents and lessees. The County assumes responsibility for and agrees to reimburse the Trustee for all liabilities, obligations, losses, damages, penalties, claims, actions, costs and expenses (including reasonable attorneys' fees) of whatsoever kind

and nature, imposed on, incurred by or asserted against the Trustee or its officers or employees that in any way relate to or arise out of a claim, suit or proceeding based in whole or in part on the foregoing, to the maximum extent permitted by law.

Events of Default and Remedies

The occurrence of one or more of the following events shall constitute an Event of Default under the respective Lease: (a) failure by the County to pay any Lease Payment or other payment required to be paid under the Lease at the time specified therein; (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than the failure to timely pay any Lease Payment or other required payment, for a period of 45 days after written notice to the County by the Trustee, specifying such failure and requesting that it be remedied, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee has agreed not to withhold unreasonably its consent to an extension of such time if corrective action is instituted by the County within any applicable period and diligently pursued until the default is corrected; or (c) the occurrence of an Act of Bankruptcy.

Upon the occurrence of any Event of Default specified in the respective Lease, any or all of the following remedies are provided: (a) without terminating such Lease, and subject to the rights of any entity subleasing all or any portion of the Land and Facilities which is not in default under a sublease complying with the Lease, re-enter and take possession of the Land and the Facilities and exclude the County and any sublessee in default from using it until the default is cured; or (b) take whatever action at law or in equity may appear necessary or desirable to (i) collect the Lease Payments then due or as they become due, or (ii) enforce performance and observance of any obligation, agreement or covenant of the County under the Lease or the Resolution, including without limitation enforcing the obligations of the County to budget and levy taxes for the payment of the Lease Payments.

Damage, Destruction and Condemnation: Use of Insurance Proceeds

If, while the Leases are in effect, (a) the Facilities, or any portion thereof, are destroyed (in whole or in part) or damaged by fire or other casualty or, (b) title to, or the temporary use of, the Land and Facilities (or any part thereof) or the estate of the County or the Trustee in the Land and the Facilities, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body, or any person, firm or corporation acting under governmental authority, the County will cause the Net Proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification or improvement of such Land and Facilities.

If the Net Proceeds of insurance or a condemnation award are insufficient to pay in full the cost of any repair, restoration, modification or improvement to the Land and Facilities subject to the respective Lease, the County either (a) shall complete the work and pay any costs in excess of the amount of the Net Proceeds of insurance or a condemnation award, or (b) may apply the Net Proceeds to prepayment of the respective Lease Payments.

TRUST AGREEMENTS

The following is a summary of certain provisions of the Trust Agreements. This summary does not purport to be complete, and reference is made to the full text of the Trust Agreements for a complete recital of its terms.

General

Each Trust Agreement is executed by the Trustee and joined in by the County. The purpose of each Trust Agreement is to provide for the authentication, issuance, payment and redemption of the respective Certificates issued thereunder and to provide for the creation thereunder of a Trust Fund for such series of Certificates for the purposes hereinafter described.

The Certificates of Participation

The Trustee is authorized upon receipt of a request from the County to issue, authenticate and deliver the 2005 Certificates. The 2005 Certificates will be issued in the form provided in the respective Trust Agreement and shall evidence the ownership interest of the Owners of the related 2005 Certificates in and to the Lease and the Lease Payments to be paid by the County to the Trustee pursuant to the respective Lease and the respective Trust Agreement, and all revenues derived from the respective Lease, any money made available for distribution to the Owners of the respective Certificates from the subsequent sale, leasing or other disposition of the Land and the Facilities subject to the respective Lease as a result of an event of default, and any other moneys required to be paid to the Trustee for the Owners of respective Certificates.

Funds

Each Trust Agreement creates a fund known as the Trust Fund. All moneys and investments held by the Trustee under the Trust Agreement are held for the benefit of the present and future Owners of the respective Certificates issued under the Trust Agreement and shall be expended only as provided in the respective Trust Agreement. Within the Trust Fund, there are created a Lease Payment Account, a Redemption Account, an Escrow Fund and a Construction Account.

The Lease Payment Account

Each Trust Agreement establishes a Lease Payment Account into which shall be deposited the amount of accrued interest received by the Trustee from the initial proceeds, any transfer from the Construction Account, all interest or income received by the Trustee with respect to the respective Lease or the respective Land and respective Facilities.

On each Payment Date, the Trustee shall withdraw from the Lease Payment Account an amount equal to the principal and interest payments due with respect to the related Certificates issued under the respective Trust Agreement on such Payment Date. Such amount shall be applied to the payment of principal and interest payments due with respect to the related Certificates on such Payment Date. The Trustee shall transfer from the Lease Payment Account to the Redemption Account all moneys on hand or received in the Lease Payment Account which are to be used for the redemption of the related Certificates.

The Redemption Account

The Trustee shall deposit into the Redemption Account under the respective Trust Agreement all moneys paid to it by the County pursuant to any of the County's prepayment options under the Lease and, in the event of termination of the respective Lease as a result of an event of default under the respective Lease, all net proceeds received from the sale or other disposition of the Land and Facilities subject to the Lease. Also, in the event of termination of a Lease as a result of an event of default or the exercise by the County of its option to prepay Lease Payments, the Trustee shall transfer to the Redemption Account all moneys on hand in the Lease Payment Account not required to pay principal and interest due or past due on the related Certificates.

All moneys on hand in the Redemption Account which will not be used for the redemption of related Certificates within 30 days after the date of deposit of such funds, shall be invested at a yield not exceeding the yield on the related Lease, computed in accordance with Section 148 of the Code and regulations promulgated thereunder. However, such funds may be invested at a higher yield if the County obtains and delivers to the Trustee an opinion of an attorney or firm of attorneys nationally recognized as bond counsel stating that the investment of such moneys may be made without restriction as to yield or subject to another yield limitation. Any moneys remaining in the Redemption Account after redemption of all outstanding Certificates issued under the Trust Agreement shall be paid to the County.

The 2005 Escrow Accounts

All of the net proceeds of the 2005A Certificates other than the amounts deposited in the Lease Payment Account and amounts to pay issuance costs of the 2005A Certificates shall be deposited in the 2005A Escrow Account created under the Administration and Law Enforcement Trust Agreement. The Trustee shall, from the 2005A Escrow Account, provide funds sufficient to defease a portion of the 1997A Certificates, the 1999 Certificates and the 2000 Certificates then outstanding.

All of the net proceeds of the 2005B Certificates other than the amounts deposited in the Lease Payment Account and amounts to pay issuance costs of the 2005B Certificates shall be deposited in the 2005B Escrow Account created under the Expo Trust Agreement. The Trustee shall, from the 2005B Escrow Account, provide funds sufficient to defease a portion of the 1995 Certificates and the 1997B Certificates then outstanding.

Rights of Trustee

In carrying out its duties and exercising its powers under the respective Lease, the Trustee shall exercise that degree of care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own business affairs.

The Trustee shall be protected and shall incur no obligation or liability with respect to the payment of Lease Payments by the County or the performance by the County of any of its obligations under the Lease. The Trustee shall not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless such Certificate shall be deposited with the Trustee or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trustee.

Each Trust Agreement does not require that the Trustee expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its right or powers thereunder. The Trustee shall not be individually liable for any payments to be made under any Certificates, the Trust Agreement or the Lease. The Trustee shall be under no obligation to institute or to take any immediate action, or to enter any appearance or in any way

defend any suit in which it may be made defendant, take any steps in the enforcement of any rights and powers under the Trust Agreement until it shall be indemnified to its satisfaction for any and all costs, expenses, outlays and counsel fees and any other reasonable disbursements and against all liabilities. The Trustee shall be compensated by the County and such compensation shall not be paid from the Lease Payments or any other revenues received pursuant to the applicable Lease or funds held by the Trustee except with respect to amounts expended in connection with the exercise of remedies upon the occurrence of any event of default.

The Trustee may resign, and thereby become discharged from its obligations under the Trust Agreement, by notice in writing given to the Owners of the Certificates. The Trustee may be removed at any time by instrument in writing executed by the Owners of not less than a majority of the aggregate principal amount of the Certificates or by agreement between the County and the Trustee. If at any time the position of Trustee shall become vacant, a majority of the Registered Owners shall appoint a Trustee to fill such vacancy.

Events of Default

Upon the occurrence of any Event of Default under the Leases, the Trustee or the Owners of not less than a majority of the aggregate principal amount of the Certificates then outstanding shall be entitled, upon notice in writing to the County and the Trustee, to enforce the rights and exercise the remedies provided to the Trustee in the respective Lease, as appropriate.

Amendments to Trust Agreement and Lease

Each Trust Agreement and each Lease may be amended in writing by agreement among all of the parties thereto, but, except as provided below no such amendment shall become effective without the prior written consent of two-thirds in aggregate principal amount of the Certificates then Outstanding; provided that no such amendment shall impair the right of any Owner to receive his or her proportionate share of any Lease Payment in accordance with his or her Certificate; provided that amendments required by a Rating Agency as a condition to maintaining the initial rating on the Certificates shall not require consent of Certificate Owners.

The County and the Trustee may, without the consent of or notice to any of the Owners of the Certificates, enter into one or more amendments to a Trust Agreement or a Lease for one or more of the following purposes:

(a) To cure any ambiguity or formal defect or omission herein or to correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make provisions with respect to matters or questions arising thereunder provided such action shall not, in the judgment of the Trustee (with respect to which the Trustee may rely on an opinion of counsel), materially adversely affect the interests of the Owners of the Certificates;

(b) To grant or confer upon the Owners of the Certificates any additional rights, remedies, power or authority that may lawfully be granted or conferred upon them;

(c) To comply with the requirements of any State or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation lawfully issued thereunder;

(d) To provide for the appointment of a successor trustee or co-trustee pursuant to the terms hereof;

(e) To permit: (i) if lawful, the issuance of Certificates in book entry form not evidenced by physical Certificates, or (ii) Certificates in bearer form if, in the opinion of Bond Counsel, such action will not cause the interest component of any Lease Payment to become includable in the gross income of the Owners of the Certificates thereof for federal income tax purposes;

(f) To subject to the Trust Agreement additional revenues, properties or collateral; or

(g) To issue Additional Certificates as provided in the Trust Agreement.

THE GROUND LEASES

The following is a summary of certain provisions of the Ground Leases. This summary does not purport to be complete, and reference is made to the full text of the Ground Leases for a complete recital of its respective terms.

The County, pursuant to the Administration and Law Enforcement Ground Lease, as amended, leased the Land to the Trustee for a term commencing on September 1, 1992 and ending on December 1, 2025, for the purpose of (i) acquiring and constructing the Administration and Law Enforcement Facilities on the Administration and Law Enforcement Land, (ii) maintaining the Administration and Law Enforcement Facilities, (iii) access, ingress and egress to the Administration and Law Enforcement Facilities, and (iv) other purposes as set forth therein. The term of the Ground Lease is automatically extended to December 1, 2035 if all Lease Payments under the Administration and Law Enforcement Lease have not been fully paid or provided for by the County. Under certain conditions Administration and Law Enforcement Land may be released from the Administration and Law Enforcement Ground Lease.

The County, pursuant to the Expo Ground Lease, leased the Expo Land to the Trustee for a term commencing on November 1, 1994 and ending on December 1, 2016, for the purpose of (i) acquiring and constructing the Expo Building on the Expo Land, (ii) maintaining the Expo Building, (iii) access, ingress and egress to the Expo Building, and (iv) other purposes as set forth therein. The term of the Expo Ground Lease is automatically extended to December 1, 2026 if all Lease Payments under the Expo Lease have not been fully paid or provided for by the County.

TAX MATTERS

In the opinion of Lindquist & Vennum P.L.L.P., as Bond Counsel, on the basis of laws in effect on the date of issuance of the 2005 Certificates, the interest component of the Lease Payments to be received by the Owners of the 2005 Certificates is not includable in gross income for federal income tax purposes. The interest component of the Lease Payments to be received by the Owners of the 2005 Certificates is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43. In rendering its opinion, Bond Counsel will rely on certain covenants and representations on the part of the County concerning the nature and cost of the facilities being financed from proceeds of the 2005 Certificates and the application and investment of proceeds of the 2005 Certificates. Moreover, certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), impose continuing requirements that must be met after the issuance of the 2005 Certificates in order for interest thereon to be and remain not includable in federal gross income. Noncompliance with such requirements by the County may cause the interest component of the Lease Payments to be received by the Owners of the 2005 Certificates to be includable in federal gross income, retroactive to the date of issuance of the 2005 Certificates, irrespective in some cases of the

date on which such noncompliance occurs or is ascertained. No provision has been made for redemption of the 2005 Certificates or for an increase in the interest rate on the 2005 Certificates in the event that interest on the 2005 Certificates becomes includable in federal gross income.

The interest component of the Lease Payments to be received by the Owners of the 2005 Certificates is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alterative minimum tax applicable to all taxpayers, but is includable in adjusted current earnings in determining the alterative minimum taxable income of corporations for purposes of the federal alterative minimum tax. The interest component of the Lease Payments to be received by the Owners of the 2005 Certificates may be includable in the income of a foreign corporation for purposes of the branch profits tax imposed by Section 884 of the Code and is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to fifteen percent of the interest component of the Lease Payments to be received by the Owners of the 2005 Certificates that is received or accrued during the taxable year. Section 86 of the Code requires recipients of certain Social Security and railroad retirement benefits to take into account the interest component of the Lease Payments to be received by the Owners of the 2005 Certificates in determining the taxability of such benefits. Passive investment income, including the interest component of the Lease Payments to be received by the Owners of the 2005 Certificates, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than twenty-five percent of its gross receipts is passive investment income.

The County has designated the Lease and the 2005 Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code, and financial institutions described in Section 265(b)(5) of the Code may treat the 2005 Certificates for purposes of Section 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986. Noncompliance with certain continuing requirements of the Code referred to above, however, may cause the 2005 Certificates to lose their status as "qualified tax-exempt obligations" retroactive to the date of issuance of the 2005 Certificates.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from receipt of interest with respect to the 2005 Certificates. Prospective purchasers or owners of the 2005 Certificates should consult their tax advisors with respect to collateral tax consequences, including without limitation the calculations of alternative minimum tax, minimum tax, or foreign branch profits tax liability or the inclusion of Social Security or other retirement payments in taxable income.

Bond Premium

The 2005 Certificates with stated maturities in 2015 through 2020 (the "Premium Bonds") are being sold at a price greater than the principal amounts payable on such Series 2005 Certificates at maturity. To the extent that a purchaser of a Premium Bond acquires a Premium Bond at a price greater than the principal amount payable at maturity, such excess may be considered "amortizable bond premium" under Section 171 of the Code. In general, any amortizable bond premium with respect to a Premium Bond must be amortized under the Code. The amount of premium so amortized will reduce the owner's basis in such Premium Bond for Federal income tax purposes, and such amortized premium is not deductible for Federal income tax purposes. In the case of tax-exempt debt instruments subject to early call such as the Premium Bonds with stated maturities in 2015 through 2020, the bond premium rules include special rules that impact the period over which the premium is amortized. The rate of the amortization of the bond premium and the corresponding basis reduction may result in an Owner realizing

a taxable gain when a Premium Bond owned by such Owner is sold or disposed of for an amount equal to or less than such Premium Bond's original cost. Purchasers should consult their own tax advisors as to the computation and treatment of such amortizable bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption, maturity, receipt or payment or other disposition of a Premium Bond.

UNDERWRITING

The Underwriters will purchase the aggregate principal amount of the 2005 Certificates upon their original issuance and delivery at a purchase price of $2,336,064.30 which reflects an underwriters' discount of $23,300, and reoffering premium of $29,364.30. The Underwriters will purchase all of the 2005 Certificates offered hereby if any of the 2005 Certificates are purchased.

The 2005 Certificates are being offered for sale at the prices set forth on the inside cover page of this Official Statement, which prices may be changed by the Underwriters from time to time without notice. The 2005 Certificates may be offered and sold to dealers for their own account or an account managed by them at prices lower than public offering prices.

RATING

Moody's Investors Service, Inc. has assigned the 2005 Certificates the rating of "Aa2". Such ratings reflect only the view of Moody's Investors Service, Inc., and an explanation of the significance of such ratings may be obtained from Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007, telephone (212) 553-0300. There is no assurance that these ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by Moody's Investors Service, Inc. if in the judgment of Moody's Investors Service Inc., circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the 2005 Certificates.

CONTINUING DISCLOSURE

Recent amendments to Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934 impose continuing disclosure obligations on the issuers of certain state and municipal securities to permit participating underwriters to offer and sell the issuers' securities. Pursuant to Rule 15c2-12(b)(5)(i), the County will enter into a Continuing Disclosure Agreement with the Trustee, for the benefit of the holders of the Certificates, whereby the County will agree to provide annual reports to each Nationally Recognized Municipal Securities Information Repository and to any State Repository, as designated for purposes of Rule 15c2-12. The annual reports will consist of annual audited financial statements of the County and an annual update of all material financial and operating data of the County contained in Appendices B and C to this Official Statement. The Trustee will provide timely notice to each Nationally Recognized Municipal Securities Information Repository and to any State Repository, as designated for purposes of Rule 15c2-12 of any failure of the County to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement.

The County will also agree in the Continuing Disclosure Agreement to provide timely notice to each Nationally Recognized Municipal Securities Information repository and to any State Repository, as designated for purposes of Rule 15c2-12 of the occurrence of any of the events listed below, if material:

1. Delinquency in payment when due of any principal of or interest on the Certificates.

2. Occurrence of any Event of Default under and as defined in the Trust Agreement (other than as described in clause (1) above) or under and as described in the Lease.

3. Adverse tax opinions with respect to the Certificates or events affecting the tax-exempt status of the Certificates.

4. Modifications to rights of holders of the Certificates.

5. Any redemption of Certificates other than mandatory sinking fund redemption.

6. Defeasance of the Certificates or any portion thereof.

7. Any release, substitution or sale of property securing repayment of the Certificates.

8. Any change in any credit rating on the Certificates.

CERTAIN LEGAL MATTERS

The validity of the Leases, the 2005 Certificates relating thereto, the tax-exempt status of the interest component of the Lease Payments and certain other matters will be passed upon by Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota. Copies of such opinion will be available at the time of delivery of the 2005 Certificates. Certain legal matters will be passed upon for the County by Gordon Swanson, the Deputy State's Attorney for Minnehaha County, and for the Underwriters by their counsel, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota.

LITIGATION AND CLAIMS

There is no litigation of any nature now pending or threatened questioning the organization of the County, the right of its present officials to hold their respective offices, or the right, power and authority of the County to enter into the Lease or to levy and collect taxes for its repayment.

ENFORCEABILITY OF OBLIGATIONS

On the closing dates for delivery of the 2005 Certificates to the Underwriters thereof, Lindquist & Vennum P.L.L.P., Minneapolis, Minnesota, Bond Counsel, will deliver their opinion dated the date of such delivery that the 2005 Certificates, the Leases, the Ground Leases and the Trust Agreements are valid and legally binding agreements, enforceable in accordance with their terms, respectively, qualified only to the extent that the enforceability of the 2005 Certificates, the Trust Agreements, the Ground Leases and the Leases may be limited by laws affecting remedies and by bankruptcy or insolvency or other laws affecting creditors' rights generally.

Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements, or data contained in this Official Statement, and will express no opinion with respect thereto.

MISCELLANEOUS

Any statements made in this Official Statement, including Appendix A, involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Trust Agreements, the Leases and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

APPENDIX A

DEFINITIONS OF CERTAIN INFORMATION

DEFINITIONS OF CERTAIN INFORMATION

The following are definitions of certain of the words and terms used in this Official Statement.

1992 Certificates means the $9,950,000 Limited Tax General Tax Obligation Certificates, dated September 1, 1992.

1992 Facilities or Administrative and Law Enforcement Facilities means (i) a work release facility, (ii) a law enforcement facility, (iii) the juvenile corrections facility, (iv) the County Courthouse and (v) the human services center.

1994 Facilities means (i) the Sioux Empire Fair Expo Building and (ii) the ice rink and related machinery, a locker room expansion and equipment in the Sioux Empire Fair Expo Building.

1994A Certificates means the $5,630,000 Limited Tax General Tax Obligation Certificates, dated November 1, 1994.

1994B Certificates means the $4,365,000 Limited Tax General Obligation Certificates, dated November 1, 1995.

1995 Certificates means the $480,000 Limited Tax General Obligation Certificates, dated September 1, 1995.

1997A Certificates means the $3,460,000 Limited Tax General Obligation Certificates, dated April 1, 1997.

1997B Certificates means the $3,400,000 Limited Tax General Obligation Certificates, dated November 1, 1997.

1999 Certificates means the $8,555,000 Limited Tax General Obligation Certificates, dated April 1, 1999.

2000 Certificates means the $10,000,000 Limited Tax General Obligation Certificates, dated December 1, 2000.

2001 Certificates means the $13,000,000 Limited Tax General Obligation Certificates, dated January 1, 2001.

2004 Certificates means the $13,170,000 Limited Tax General Obligation Certificates, dated November 1, 2004.

2005A Certificates means the $1,700,000 Limited Tax General Obligation Certificates, dated October 15, 2005.

2005B Certificates means the $630,000 Limited Tax General Obligation Certificates, dated October 15, 2005.

Act of Bankruptcy means any of the following events:

(i) The County shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the County or of all or a substantial part of either of their property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(ii) A proceeding or case shall be commenced, without the application or consent of the County, as the case may be, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the County (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the County or of all or any substantial part of the assets of the County, or (c) similar relief in respect of the County under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case has not been dismissed within sixty (60) days of the filing thereof.

Additional Certificates means any additional parity Certificates issued pursuant to the related Trust Agreement.

Administrative and Law Enforcement Certificates means, collectively, the 2005A Certificates, the 2004 Certificates, the 2001 Certificates, the 2000 Certificates, the 1999 Certificates, the 1997A Certificates, the 1994A Certificates and the 1992 Certificates.

Administrative and Law Enforcement Facilities means the buildings, structures and improvements now or hereafter located on the Administrative and Law Enforcement Land.

Administrative and Law Enforcement Ground Lease means the Ground Lease Agreement, dated as of September 1, 1992, between the County and the Trustee, as amended and supplemented.

Administrative and Law Enforcement Land means the land described on Exhibit A to the Administrative and Law Enforcement Ground Lease.

Administrative and Law Enforcement Lease means the Original Administrative and Law Enforcement Lease, as amended and supplemented by the First Amendment to Administrative and Law Enforcement Lease, the Second Amendment to Administrative and Law Enforcement Lease, the Third Amendment to Administrative and Law Enforcement Lease, the Fourth Amendment to Administrative and Law Enforcement Lease, the Fifth Amendment to Administrative and Law Enforcement Lease and the Sixth Amendment to Administrative and Law Enforcement Lease.

Administrative and Law Enforcement Project means the Administrative and Law Enforcement Land and the Administrative and Law Enforcement Facilities for the Administrative and Law Enforcement Lease.

Administrative and Law Enforcement Trust Agreement means the Original Administrative and Law Enforcement Trust Agreement, as amended and supplemented by the First Supplemental Administrative and Law Enforcement Trust, the Second Supplemental Administrative and Law Enforcement Trust, the Third Supplemental Administrative and Law Enforcement Trust, the Fourth Supplemental Administrative and Law Enforcement Trust, the Fifth Supplemental Administrative and Law Enforcement Trust and the Sixth Supplemental Administrative and Law Enforcement Trust.

Authorized Officer means, when used with respect to the County, the County Auditor or any other person who is designated in writing by the County Auditor as an Authorized Officer and, when used with respect to the Trustee, means any vice president and/or trust officer who is authorized to take the action in question on behalf of the Trustee.

Authorized Newspapers means a financial paper or a newspaper of general circulation in Sioux Falls, South Dakota.

Construction Account means the account established under Section 4.2 of the related Trust Agreement.

County Board means the governing body of the County.

DTC means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York or any successor securities depository for a series of Certificates appointed pursuant to the related Trust Agreement.

Escrow Fund means the account established under the related Trust Agreement.

Expo Certificates means, collectively, the 2005B Certificates, the 1997B Certificates, the 1995 Certificates and the 1994B Certificates.

Expo Facilities means the buildings, structure and improvements now or hereafter located on the Expo Land.

Expo Ground Lease means the Ground Lease Agreement, dated as of November 1, 1994, between the County and the Trustee, as amended and supplemented.

Expo Land means the land described on Exhibit A to the Expo Ground Lease.

Expo Lease means the Original Expo Lease, as amended and supplemented by the First Amendment to Expo Lease, the Second Amendment to Expo Lease and the Third Amendment to Expo Lease

Expo Project means the Expo Land and the 1994 Facilities for the Expo Lease.

Expo Trust Agreement means the Original Expo Trust Agreement, as amended and supplemented by the First Supplemental Expo Trust, the Second Supplemental Expo Trust and the Third Supplemental Expo Trust.

DTC Participants means any broker-dealer, bank or other financial institution from time to time for which DTC holds the Certificates of a series as securities depository.

Fifth Amendment to Administrative and Law Enforcement Lease Purchase Agreement means the Fifth Amendment to Lease Purchase Agreement, dated as of September 1, 2004.

Fifth Supplemental Administrative and Law Enforcement Trust means the Fifth Supplemental Declaration of Trust by the Trustee and joined in by the County, dated as of September 1, 2004.

First Amendment to Administrative and Law Enforcement Lease means the First Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of November 1, 1994.

First Amendment to Expo Lease means the First Amendment to Lease – Purchase Agreement, dated as of September 1, 1995, between the Trustee and the County.

First Supplemental Administrative and Law Enforcement Trust means the First Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of November 1, 1994.

First Supplemental Expo Trust means the First Supplemental Declaration of Trust, dated as of September 1, 1995, by the Trustee and joined in by the County.

Fiscal Year means the twelve-month fiscal period of the County, which commences on January 1 in every year and ends on December 31 of that year.

Fourth Amendment to Administrative and Law Enforcement Lease means the Fourth Amendment to Lease-Purchase Agreement between the Trustee and the County, dated as of December 1, 2000.

Fourth Supplemental Administrative and Law Enforcement Trust means the Fourth Supplemental Declaration of Trust, by the Trustee and joined in by the County, dated as of December 1, 2000.

Interest means the portion of any Lease Payment designated as and comprising interest as described in the respective Lease.

Interest Payment Date means any of the dates for scheduled payments of Interest, as shown in the respective Lease.

Lease Payment or Lease Payments means the payment due from the County to the Trustee on each Payment Date during the term of the Lease, as shown for the respective Lease.

Lease Payment Account means the account established under Section 4.3 of the respective Lease.

Net Proceeds means any insurance proceeds paid with respect to the respective Facilities, remaining after payment therefrom of all expenses incurred in the collection thereof.

Operations Agent means U.S. Bank National Association, 60 Livingston Avenue, St. Paul, Minnesota 55107, as operations agent for the Trustee.

Original Administrative and Law Enforcement Lease means the Lease-Purchase Agreement, dated as of September 1, 1992, between the Trustee and the County.

Original Administrative and Law Enforcement Trust Agreement means the Declaration of Trust, dated as of September 1, 1992, by the Trustee and joined in by the County.

Original Expo Lease means the Lease-Purchase Agreement, dated as of November 1, 1994, between the Trustee and the County.

Original Purchaser or Underwriter means, with respect to any series of Certificates, the bank, investment banker, bond dealer or other Person who acts as underwriter or otherwise purchases those Certificates from the County; the Original Purchaser of the 2005 Certificates is Piper Jaffray & Co. and Dougherty & Company LLC.

Original Expo Trust Agreement means the Declaration of Trust, dated as of November 1, 1994, by the Trustee and joined by the County.

Outstanding means when used with reference to a series of Certificates and as of any particular date, means all the Certificates of such series theretofore delivered except: (i) any Certificate canceled or fully paid by the Trustee at or before said date; (ii) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the related Trust Agreement; and (iii), for the sole purpose of determining the percentage of the Certificate owners consenting to an amendment to the related Trust Agreement or authorizing any action by the Trustee or the exercise of any remedy under the related Trust Agreement, any Certificate owned by the County or any of its departments, agencies, institutions, instrumentalities or political subdivisions. For all other purposes Certificates owned by the County or any such entity which are not described in paragraphs (i) and (ii) shall be treated as Outstanding under the related Trust Agreement.

Owner or Certificate Owner or any similar term, when used with respect to a series of Certificates, means the registered owner of any Outstanding Certificate.

Payment Date means the date upon which the related Lease Payment is due and payable as provided for in the related Lease

Principal means the portion of the related Lease Payment designated as principal for the in related Lease

Principal Balance means for the respective series Certificates as of any date, less the aggregate amount of Principal theretofore paid on the Certificates.

Principal Payment Date means any of the dates for scheduled payments of Principal as shown for the respective Lease

Registrar means U.S. Bank National Association, in St. Paul, Minnesota, or any successor Registrar appointed by the Trustee pursuant to Section 6.6 of the Trust Agreements.

Representation Letter means the Letter of Representation (Book-Entry-Only Municipal Bonds) executed by and between the County, the Original Purchaser and DTC.

Resolutions means the resolutions adopted by the Board of County Commissioners as they may be amended from time to time.

Second Amendment to Administrative and Law Enforcement Lease means the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997, between the County and the Trustee.

Second Amendment to Expo Lease means the Second Amendment to Lease-Purchase Agreement, dated as of April 1, 1997, between the County and the Trustee.

Second Supplemental Administrative and Law Enforcement Trust means the Second Supplemental Declaration of Trust, dated as of April 1, 1997, by the Trustee and joined in by the County.

Second Supplemental Expo Trust means the Second Supplemental Declaration of Trust, dated as of April 1, 1997, by the Trustee and joined in by the County.

Sixth Amendment to Administrative and Law Enforcement Lease means the Sixth Amendment to Lease-Purchase Agreement, dated as of October 1, 2005, between the County and the Trustee.

Sixth Supplemental Administrative and Law Enforcement Trust means the Sixth Supplemental Declaration of Trust, dated as of October 1, 2005, by the Trustee and joined in by the County.

State means the State of South Dakota.

State and Federal Laws means the Constitution and any law of the State and any rule or regulation of any agency or political subdivision of the State; and any law of the United States, and any rule or regulation of any federal agency.

Term of the Lease or Lease Term the period during which the respective Lease is in effect as specified in Section 4.1 of the respective Lease.

Third Amendment to Administrative and Law Enforcement Lease means the Third Amendment to Lease-Purchase Agreement, dated as of April 1, 1999, between the County and the Trustee.

Third Amendment to Expo Lease means the Third Amendment to Lease-Purchase Agreement, dated as of October 1, 2005, between the County and the Trustee.

Third Supplemental Administrative and Law Enforcement Trust means the Third Supplemental Declaration of Trust, dated as of April 1, 1999, by the Trustee and joined by the County.

Third Supplemental Expo Trust means the Third Supplemental Declaration of Trust, dated as of October 1, 2005, by the Trustee and joined by the County.

Trustee means U.S. Bank National Association, as successor in interest to U.S. Bank Trust National Association, the First Trust National Association and First Bank of South Dakota (National Association), and its successors and assigns, in its capacity as trustee under the Trust Agreement.

APPENDIX B

SUMMARY OF COUNTY INFORMATION

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GENERAL INFORMATION

Minnehaha County is located in southeastern South Dakota. Ten cities are located in Minnehaha County. Sioux Falls, the County seat, is the largest city in South Dakota.

Minnehaha County was organized in 1862 and reorganized in 1869 and is governed by a Board of County Commissioners consisting of five members.

Total land area of the county is approximately 810 square miles. The 2000 population census was 148,281. The current 2005 estimated population is 162,500.

The City of Sioux Falls represents six percent of the land area in the County, but its 2000 population census was 123,975 (117,355 in Minnehaha County) is 79% of the County's total population.

The four largest post-secondary institutions in Minnehaha County are:

Institution	Enrollment
Southeast Technical Institute	3500
USDSU Sioux Falls	1900
Augustana College	1800
University of Sioux Falls	1500

Employees & Pension Plans

Minnehaha County employs more than 500 persons. Employees of the County are covered by the South Dakota Retirement System administered by the State of South Dakota. The employees are separated into two categories: Class A (all employees other than public safety employees), who contribute 6% of their salary and Class B (the public safety employees), who contribute 8% of their salaries, all of which is matched by the County. Members' contributions earned interest at a rate of 5.00% for the period July 1, 2003 to June 30, 2004 and at a rate of .93% for the period July 1, 2004 to June 30, 2005. Such contributions and credited interest are 100% vested and may be withdrawn upon termination of employment. The County's total cost of the plan for the year ended December 31, 2004 was $1,213,338.

Minnehaha County has two bargaining groups representing a portion of its employees. The Deputies' Association represents 160 law enforcement employees, and AFSCME Local #2561 represents 20 highway construction workers.

Governmental Organization and Services

The County is governed by a five member board of Commissioners, all of whom are elected at large to overlapping four year terms of office. The current County board consists of the following individuals:

Name	Title	Expiration of Term
Carol Twedt	Chairman	December 31, 2006
James Zweep	Commissioner	December 31, 2006
Anne Hajek	Commissioner	December 31, 2006
Robert Kolbe	Commissioner	December 31, 2008
John Pekas	Commissioner	December 31, 2008
David R. Nelson	States Attorney	December 31, 2008
Sue Roust	Auditor	February 28, 2007
Pam Nelson	Treasurer	December 31, 2008
Kenneth E. McFarland, Jr.	Administrative Assistant	Appointed

VALUATIONS

The County Director of Equalization compiles an assessed value of all real property subject to taxation each year. The Assessment date for property is January 1, however, all property is to be assessed at its full and true market value as of the November 1 immediately preceding the assessment year. For example, the 2005 assessment for taxes payable in 2006 is the assessed value as of November 1, 2004. South Dakota Codified Laws, Section 10-13-37, provides that property taxes shall be levied on valuations where the median level of assessment represents eight-five percent of the market value as determined by the State Department of Revenue. The value so determined is referred to in this Official Statement as the "taxable value."

A levy of "dollars per thousand" is applied to the taxable value, in order to satisfy the budgets of each taxing entity.

DISCRETIONARY PROPERTY TAX REDUCTION AND TAX INCREMENT

State law provides for a tax break for new and/or improved commercial and industrial businesses. A discretionary property tax reduction formula is applied to construction completed by the assessment date of November 1. Each taxing entity has the option of implementing this formula to promote new businesses; the tax break is for five years. The percentage applied to the assessed value is determined by the taxing entity.

In addition to the discretionary property tax reduction formula described above, municipalities and counties may also create tax increment districts. At the time an increment district is certified, there is an assessed value within its boundary. This valuation is the base value and the county can collect taxes only on the amount of the base value. The additional valuation has the same levy applied but the dollars collected are segregated to pay costs of public improvements within the increment district, including the retirement of tax incremental revenue bonds. There are three increment districts in the County, two in the City of Brandon and the other in the City of Sioux Falls. The property included in these tax increment districts has a 2005 assessed valuation of approximately $2,641,144.

Table I
Minnehaha County 2004 Taxable Valuations

OUTSIDE CORPORATE LIMITS	
Agricultural	459,050,919
Non-Agricultural – Z	9,286,156
Non-Agricultural – Owner Occupied	617,481,518
Non-Agricultural – Other	119,064,661
WITHIN CORPORATE LIMITS	
Agricultural	16,630,838
Non-Agricultural – Z	2,289,498
Non-Agricultural – Owner Occupied	3,715,845,724
Non-Agricultural – Other	2,584,879,151
Total Value of Real Property	7,524,528,465
Total Valuation of Centrally Assessed Properties	
Railroad	8,307,777
Utilities	156,305,635
Telephone – within corporate limits	74,501,792
Total – All Property	7,763,643,669

Table II
Historical Assessed Value of Real Property
(Full & True Value)

Year	Assessed Value
2004	$ 8,795,638,856
2003	8,153,165,542
2002	7,562,001,223
2001	7,156,345,816
2000	6,597,775,177

Table III
County Levies
(dollars per $1,000 of Taxable Valuation)

	2005	2004	2003	2002	2001
General Fund Levy	2.440	2.444	2.524	2.479	2.190
Building Fund Levy	0.265	0.273	0.234	0.295	0.542

Table IV
Tax Collections

	Amount of Levy	Collected First Year		Collected as of December 31, 2004	
		Amount	%	Amount	%
2004	20,049,967	19,867,435	99.09	20,165,316	100.6
2003	19,041,668	18,809,704	98.78	19,223,239	100.9
2002	18,025,358	17,678,098	98.07	17,922,253	99.4
2001	16,452,494	16,159,838	98.22	16,309,804	99.1
2000	14,319,040	14,110,400	98.54	14,183,898	99.0

Table V
Indirect Debt Payable From Ad Valorem Taxes

	Debt Outstanding	Applicable To County
School Districts		
Brandon Valley	12,635,000	100.00
Dell Rapids	4,290,000	81.38
Garretson	6,480,000	100.00
Sioux Falls	88,645,000	89.24
Tri-Valley	2,260,000	100.00
West Central	3,790,000	97.87

Table VI
Principal Taxpayers – January 2005
(Unaudited)

Taxpayer	Business		2005 Assessed Valuation
SDG Macerich Properties LP	Empire Mall & Empire East	$	98,687,919
Sioux Valley Hospital	Medical		53,799,575
Presentation Sisters (McKennan)	Medical		52,494,701
123 Sioux Falls LLC	CitiBank		41,092,931
Norwest Properties (Murdock)	Bank		38,100,990
Wal-Mart (Wal-Mart & Sams)	Retail		30,744,906
Don Dunham Jr.	Real Estate		28,301,959
John Morrell & Company	Meat Packing		25,459,659
Ronning Enterprises	Real Estate		23,883,078
Menards	Building Centers		21,785,258

Debt Limit

The total indebtedness of the County may not exceed 5% of the actual assessed value of property within the County.

	As of December 31, 2004
Assessed Value	$ 8,795,638,856
	X .05
Maximum	439,781,943
Less: Debt Outstanding	31,235,000
Available Margin	$ 408,546,943

Table VII
Debt Ratios

	Amount	Per Capita(1)	Percentage of Assessed Value
Direct General Obligation Debt (Including the Lease)	(none)		
Indirect Debt Payable from Ad Valorem Taxes	$138,917,273	$854.88	1.58%

(1) Based on the current population of 162,500

FINANCIAL STATEMENTS

The County is required by South Dakota law to be audited every other year. Attached hereto as APPENDIX C are the County's audited financial statements for the years ended December 31, 2002, December 31, 2003 and December 31, 2004.

Table VIII
Cash on Hand
(as of December 31, 2004)

	Current Balance
General	
General Fund	$7,550,817.70
TOTAL	$7,550,817.70
Special Revenue Funds	
Law Library	$11,003.44
Pass-Thru Grants	2,653.45
Law Enforcement Eq. Gran	20,139.46
Communications (E-911)	543,667.48
Highway Fund	4,188,565.89
Fire Protection Fund	161,373.86
Public Library Fund	178,713.15
Museum Store	22,178.25
Museum Grants	49,626.03
Emergency Management	81,148.15
Museum Enterprise	107,984.43
Courthouse Artwork	29,201.02
Museum Lighting Project	16,100.00
Domestic Abuse Fund	8,112.50
Building Fund	1,235,470.06
TOTAL	$6,655,937.17
Capital Projects Fund	
TOTAL	.00
Internal Svs. Funds	
Health/Life Insurance	$843,566.70
TOTAL	$843,566.70
Agency Funds	
School Districts Funds	$1,259,087.51
Civil Townships Funds	5,987.66
Cities and Towns Funds	342,261.05
Advance Tax Fund	643,948.87
Tax Sale Redemption Fund	204,133.25
Watershed	.00
Donations (Miscellaneous)	2,336.11
Bid or Bond Deposits	250.00
Municipalities 5%	162,818.65
State Birth Fees	4,080.00
Contract Detox	.00
State Death Fees	2,934.01
Interest	162,176.93
State Motor Vehicle Coll	1,633,477.09
Water Conservancy Subdst	2,772.46
Special Highway (14%)	342,112.65
TOTAL	$4,768,376.24
TOTAL CASH	$19,818,697.81

Future Financing

The County is planning to issue $2,900,000 of Certificates of Participation to finance a portion of the human services center in 2005.

Income

Income statistics for the County and the State of South Dakota are given below:

Income

	2004	2003	2002	2001	2000
Median Household EBI[(1)]:					
Minnehaha County	$39,284	$39,683	$44,432	$48,791	$45,462
State of South Dakota	33,194	33,433	33,583	33,988	38,079
Percent of Households with EBI in excess of $20,000:					
Minnehaha County	81.3%	81.4%	83.6%	83.9%	82.4%
State of South Dakota	73.4	73.4	74.5	75.9	74.0
Retail Sales per Household:					
Minnehaha County	$55,931	$52,735	$50,677	$50,604	$46,695

Source: Sales and Marketing Management "Survey of Buying Power"
(1) Effective Buying Income

Table IX
Labor Statistics
(average annual)

	Civilian Labor Force	Unemployment	
	Minnehaha County	Minnehaha County	State of South Dakota
2004	99,500	3.1%	3.5%
2003	96,150	3.1	3.6
2002	95,380	2.5	3.1
2001	92,480	2.3	3.3
2000	91,615	1.5	2.3
1999	90,137	1.8	2.9

Source: SD Labor Market Information Center

Table X
Non-Agricultural Employment by Category*

	December 2004	% of Total
Natural Resources, Mining and Construction	5,800	4.9
Manufacturing	12,100	10.2
Wholesale Trade	6,000	5.1
Retail Trade	16,100	13.6
Transportation, Warehousing and Utilities	4,400	3.7
Information	2,500	2.1
Financial Activities	14,800	12.5
Professional and Business Services	8,400	7.1
Educational and Health Services	21,100	17.9
Leisure and Hospitality	11,500	9.7
Other Services (except Public Administration)	4,900	4.1
Government	10,700	9.1
Total	118,300	100.0

* Sioux Falls Standard Metropolitan Statistical Area
Source: South Dakota Labor Bulletin, January 2005

Table XI
Major Employers

Firm	Employees
Non-government:	
Sioux Valley Hospitals & Health System	5,640
Avera Health	3,732
John Morrell & Company	3,325
Citigroup	3,200
Wells Fargo Financial Bank	2,641
Hy-Vee Food Stores	1,725
Midwest Coast Transport	1,260
WalMart / Sam's Club	1,195
Evangelical Lutheran Good Samaritan Society	1,050
First PREMIER Bank / PREMIER Bankcard	1,029
Household Credit Services	850
Lewis Drug, Inc.	750
Government:	
Sioux Falls School District	3,313
City of Sioux Falls	1,018
Veteran's Hospital	707

AREA GROWTH AND DEVELOPMENT

All of the information contained in this section on Area Growth and Development has been obtained from the Sioux Falls Development Foundation.

Table XII
2004 Economic Development at a Glance
(January – October)

Total value of new construction	$318,486,357
Number of building permits	6,074
Capital investment	$128,400,000

The following new industrial, office, retail, medical and public development projects were proposed, undertaken or completed through October 30, 2004 in the City of Sioux Falls and its environs:

Industrial and Warehouse Developments

Alphagraphics occupies 7,720 square feet of new $1.4 million, 14,669 square foot facility on South Tennis Lane. The company needed room for expansion of their printing business.

The new 15,000 square foot warehouse and office building for Baldwin Supply, located in Sioux Empire Development Park III East, represents $700,000 investment for the wholesale distributor of mechanical and electrical industrial power transmission components.

Beal Distributing is investing $3.5 million in a new 80,000 square foot facility that will more than double their capacity. The new facility is located on Northview Avenue just east of I-29.

Broin Companies' 17,000 square foot expansion in Sioux Empire Development Park V includes additional office and lab space.

Climate Systems, Inc. added 5,000 square feet of additional warehouse space to their facility.

A $3 million, 32,000 square foot expansion to include manufacturing space, corporate offices and showroom/technology demonstration space, scheduled for completion next year, is under construction at Crimson Fire in Brandon.

East River Electric Power Cooperative will be investing $7 million in their transmission system in and around Sioux Falls over the next several years.

Eastern Farmer's Cooperative built a multi-million dollar facility west of Worthing. The fertilizer plant will have room for 18,500 tons of dry fertilizer.

I-29 Brick & Tile is nearing completion on a new facility on Carolyn Avenue that will provide 5,000 square feet of showroom and warehouse space as well as 25,000 square feet of outdoor storage.

Ideal Yardware relocated to a new 12,000 square foot facility on South Louise Avenue.

A new 16,000 square foot wholesale distribution warehouse was completed in September for JDS Industries. The facility represents a $500,000 investment by JDS which employs 50 people in Sioux Falls.

Lantus, a plumbing parts wholesaler, moved into a new 13,000 square foot facility on East Rober Driver, near I-90 and Cliff Avenue.

Midwest Motor Express completed their new terminal located on six acres in Sioux Empire Development Park III.

Mid States Audio purchased land in Sioux Empire Development Park IV to construct a 6,000 square foot facility. The building represents a $600,000 investment.

Peska Properties built a new 30,000 square foot industrial spec building in Sioux Empire Development Park III for warehouse distribution, manufacturing or office operations.

The Raven Precision Solutions Center, completed earlier this month, is located on 190 acres north of the city. The 7,800 square foot building has training facilities for 40 people and research space for the eight person development staff. The staff installs and tests GPS, auto steering and other high-tech precision farming equipment for the Flow Controls Division of Raven Industries.

Sioux Steel relocated its livestock products division to Lennox. The firm purchased the Lennox Industrial Park Spec Building and expanded it to 60,000 square feet.

Sioux Valley Energy will be investing $9 million to upgrade their distribution system in Minnehaha County. Sioux Valley Energy is also in the process of constructing a 30,000 square foot service center with office and warehouse space near Brandon.

Southeastern Electric Cooperative will invest $7 million in upgrading their electrical systems over the next four years.

Variety Foods, an independent food wholesaler, added 6,200 square feet to their facility. Freezer space occupies the majority of the addition that was completed this fall.

Verizon Wireless purchased 3.2 acres in Sioux Empire Development Park V for their 15,000 square foot mobile telephone switching facility. The facility represents a $20 million investment in facilities and equipment.

A 20-acre site in the Corson Development Park will be home to Wausau Supply Company's new 75,000 square foot distribution facility. Future plans call for expanding to 300,000 square feet. Phase I of the project represents a $1.8 to 2.4 million investment. The company will employ up to 10 initially, and 50 in the future.

In 2005, Excel Energy will complete a $60 million addition to the Angus C. Anson power plant between Sioux Falls and Brandon. Xcel also invests millions of dollars each year in capital improvements in the area.

Office, Commercial & Medical Developments

57th Street Village, a 29,000 square foot retail center, is being built at 57th and Marion Road, Billy Frog's Sports Bar & Grill will be one of many tenants.

Ground was broken in September for the Avera McKennan Behavioral Health Hospital, a new $32.1 million, 100,000 square foot facility. The 110-bed hospital will employ over 230 and is scheduled for completion in the spring of 2006. Also under construction is the Avera Doctors Plaza West. This 38,000 square foot medical office building will house Midwest Psychiatric Medicine, University Psychiatry Associates and the University of South Dakota Psychiatric Residency Program. The $600,000 Avera Health/Tea Clinic opened this summer.

Coconut Joe's, a new nightclub on South Carolyn Avenue, will open in a $2.1 million, 9,760 square foot facility around the end of this year, employing over 50 people.

A new four-story, 100-room ClubHouse Inn & Suites is ready to open on South Louise Avenue in the Meadows area. Construction started in October of 2003 on the facility that employs 30.

Ground was broken in late September for Corporate Centre III, a 41,243 square foot facility located in Sioux Empire Development Park V on 27.5 acres, which will eventually house five office buildings in a campus like setting, Corporate Center III will house Dakota Gold Marketing, a branch of Broin Companies.

Courthouse Plaza will be a new 79,000 square foot office complex in downtown Sioux Falls. The facility will house the US Attorney's Office and is scheduled for completion in November of 2005.

Crossroads Book & Music is constructing a new $1 million, 18,000 square foot store at the corner of 47th and Westport Avenue to provide more room for the expanding business.

The Dacotah Town Centre development on East 10th Street includes a 20,250 square foot strip mall, a branch of Dacotah Bank and the new Boston's Pizza which opened in September.

A 40,000 square foot facility under construction near I-29 and Benson Road will house Esurance, an on–line insurance company. The company plans to employ an additional 240 within the next three years.

Dirt work is underway on Garden Village, a 23-acre business park and residential area in southwest Sioux Falls. The development includes four commercial sites, five office buildings and ten twin homes.

Heather Ridge Village is a multi-structure business and commercial development under construction near Western Avenue and 69th Street. The eight-acre complex will feature seven buildings including one housing Williams Insurance Company.

Hematech, LLC will create 70 new jobs when their new $15 million, 40,000 square foot headquarters and research lab is completed in 2006. The new facility will be located on four acres in Sioux Empire Development Park V.

Earlier this year, Holiday Inn Express Hotel & Suites completed a $3 million expansion project that added 41 guest rooms as well as other amenities to its hotel on South Shirley Avenue.

Lithia Motors purchased 10 acres near I-229 and Louise Avenue to relocate their dealership from Minnesota Avenue.

A new 200,000 square foot Menards store opened on East 10th Street. Menards also expanded their store on South Shirley Avenue.

Midco Call Center Services moved to a larger facility on East 26th Street to accommodate their expanding business.

Construction was completed in January on the new Nyberg's Ace at 41st Street and Sertoma Avenue. Nyberg's occupies 36,000 square feet of the 48,000 square foot facility.

Precision Computer Systems is adding an additional 19,000 square feet to their three building complex in Valhalla Business & Technology Park. The project is scheduled for completion in December.

The Ramada Inn underwent a $5 million construction/renovation project including an expanded pool area.

Retailer's National Bank, located in the Valhalla Business & Technology Park, expanded their facility by 40,000 square feet.

A groundbreaking ceremony was held in August for Showplace Plaza, a 16,000 square foot facility located adjacent to the Harrisburg Industrial Park. Tenants will include a branch of The First National Bank in Sioux Falls and Showplace Kitchens.

Sioux Empire Federal Credit Union is opening a 4th location in Sioux Falls. The two-story building will include space for CU Mortgage Direct and represents a $2 million investment.

A number of Sioux Valley Hospitals & Health System projects are under construction, including a new multi-story facility to house 14 operating rooms and a neonatal intensive care unit. The Minnesota Avenue clinic was renovated to house the Sleep Disorder Center, Ophthalmology & Optometry Clinic, the Optical Shop and Sioux Valley Clinic University Psychiatry. The $2.5 million, 23,800 square foot Sioux Valley Clinic at 69th and Minnesota Avenue and the Prairie Plaza Building for Sioux Valley's Data Center are completed. Plans include the Sanford Children's Hospital and a joint fitness center with the YMCA.

The South Dakota Technology Business Center opened in January 2004 and, at 35% occupancy is running ahead of schedule. The mission of the Center is to provide assistance to new and early-stage technology companies. Current start-up clients include DocuTap, Meta Payment Systems, Dakota Retail Technologies and PrairieGold Venture Partners. The Center has also started construction on two of the six planned labs to further assist the development of new biotech companies.

Spencer Furniture will occupy a new 20,000 foot store under construction on 49th Street next to the Empire Mall.

The former Econofoods building on Louise Avenue is home to Sportsman's Warehouse. The store employs 75 people in the 75,000 square foot facility.

May of 2005 is the expected opening date for Staybridge Suites, a new three-story, 91-room, extended-stay hotel located on South Carolyn Avenue.

Walgreens added their 5th location in Sioux Falls at the corner of 26th Street and Sycamore Avenue. The facility is 14,800 square feet and employs 30.

Construction has started on a four-building retail and office development at 69th Street and Minnesota Avenue. Waterfall Plaza's first 25,000 square foot building is scheduled for completion next spring.

Well's Fargo Financial Bank is in the process of adding space to their existing facility in Sioux Empire Development Park III. The $10 million, 85,000 square foot expansion will provide room for 800 additional employees.

Quality of Life Developments

Allegiant Air – Started offering twice weekly flights to Las Vegas on May 6th.

America West Airlines – Daily non-stop service to Phoenix starting December 18th.

Bethany Meadows - $10 Million Multi-year Project on 175 Acres near Brandon, 100-bed Nursing Home, Independent Living Apartments, Assisted Living Facilities & Memory-care Unit, 20,000 square foot "Town Center."

Children's Inn - $1.1 Million, 5,200 Square Foot Expansion/Remodel

City of Sioux Falls – Phillips to the Falls Street Construction Project $347,935 Orpheum Theatre Renovation; SculptureWalk.

Delta Connections – Started offering non-stop daily flights to Cincinnati on July 29th.

Dow Rummel Village - $30 Million, 60 New Apartments; Village Center with Wellness Center, Clinic, Bank, Museum, Deli, Library, Computer Center; Assisted Living Facilities & Alzheimer's Unit.

The Evangelical Good Samaritan Society Prairie Creek - $22 Million, Senior Housing Community to include 70 Apartment and 44 Twin Homes.

Madison Street & I-29 Interchange - $19 Million.

Sioux Empire Housing Partnership – Valley Green Affordable Housing Development, 49 Lots.

Sioux Falls Christian Schools – New $10.2 Million, 100,000 Square Foot Facility.

Sioux Falls Coliseum - $1.8 Million Renovation to house the Multi-Cultural Center

Sioux Falls Park & Rec Department – Harmodon Park Ball Fields; Veterans Park; $1.2 Million Renovation of Former Power Plant into a Restaurant at Falls Park; Falls Park North Bike Trail Project; East Sioux Falls Nature Area.

Sioux Falls Public School District – New $5.7 Million Discovery Elementary School, 74,000 Square Feet; 19,000 Square Foot Addition/Remodel of the Instructional Planning Center; Howard Wood Field Improvements.

Sioux Falls Regional Airport - $1.1 Million Terminal Addition/Renovation; Heliport.

Siouxland Library Oak View Branch - $1.8 Million, 15,000 Square Feet.

Southeast Technical Institute – 26-Unit Apartment Complex to House 100 Students; $6.5 Million Health Science Building Expansion.

Wild Water West Waterpark - $1.5 Million Investment in New Attractions, Additional Parking.

YMCA – Renovation of Men's Fitness Center, New Roof.

YWCA - $1 Million Renovation.

Table XIII
Assets of Sioux Falls Financial Institutions

Year	Bank Assets	S&L Assets
2004	432,333,199,000*	N/A
2003	75,758,892,000	N/A
2002	65,367,903,000	759,253,000
2001	43,956,067,000	734,328,000
2000	30,394,387,000	710,763,000
1999	23,070,972,000	658,104,000
1998	21,543,240,000	559,244,000
1997	24,531,530,000	579,705,000
1996	23,557,423,000	553,000,000

*Wells Fargo, National Association moved its national charter to Sioux Falls in 2004.

Table XIV
Building Permits

Year	No.	Residential Value	Commercial/ Industrial	Agricultural	Total
2004	7,406	$233,360,900	185,863,700	1,849,600	421,074,200
2003	7,247	218,209,700	152,233,800	1,249,600	371,693,100
2002	8,174	182,189,200	116,530,600	1,347,800	300,067,600
2001	8,144	193,524,600	140,629,300	1,260,800	335,414,700
2000	6,420	220,368,500	162,573,200	977,500	383,919,200
1999	6,171	135,911,294	144,118,865	1,372,900	281,403,059
1998	5,705	120,734,244	149,627,205	1,324,698	271,686,147
1997	5,345	103,771,966	140,131,850	1,497,600	245,401,416
1996	5,166	99,096,810	106,041,695	754,500	205,893,005
1995	4,885	100,752,785	86,496,545	489,300	187,735,539

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APPENDIX C

AUDITED FINANCIAL STATEMENTS

OF THE COUNTY

FOR THE YEARS ENDED
DECEMBER 21, 2002, DECEMBER 21, 2003 AND DECEMBER 31, 2004

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MINNEHAHA COUNTY

AUDIT REPORT

For the Year Ended December 31, 2002

State of South Dakota
Department of Legislative Audit
427 South Chapelle
%500 East Capitol
Pierre, SD 57501-5070

MINNEHAHA COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Minnehaha County, South Dakota

Compliance

We have audited the compliance of Minnehaha County, South Dakota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. Minnehaha County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Minnehaha County's management. Our responsibility is to express an opinion on Minnehaha County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Minnehaha County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Minnehaha County's compliance with those requirements.

In our opinion, Minnehaha County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

Internal Control Over Compliance

The management of Minnehaha County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Minnehaha County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

April 25, 2003

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Minnehaha County, South Dakota

We have audited the financial statements of Minnehaha County, South Dakota, as of December 31, 2002, and for the year then ended and have issued our report thereon dated April 25, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Minnehaha County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Minnehaha County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Minnehaha County in a separate communication dated April 25, 2003.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

April 25, 2003

MINNEHAHA COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Audit Findings:

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

a. An unqualified opinion was issued on the financial statements.

b. No material weaknesses were disclosed by our audit of the financial statements and the major federal programs.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal award tested as a major program was:

Juvenile Accountability Incentive Block Grant CFDA #16.523

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Minnehaha County qualified as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

There are no written current other audit findings to report.

Closing Conference

The contents of this report were discussed with the county auditor and administrative assistant to the commission on April 25, 2003.

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Minnehaha County, South Dakota

We have audited the accompanying general-purpose financial statements of Minnehaha County, South Dakota, as of December 31, 2002, and for the year then ended, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of Minnehaha County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Minnehaha County as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2003 on our consideration of Minnehaha County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of the audit, this report should be read along with the independent auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of Minnehaha County taken as a whole. The combining financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis including the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Martin L. Guindon, CPA
Auditor General

April 25, 2003

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MINNEHAHA COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
December 31, 2002

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Account Groups	
	General Fund	Special Revenue Funds	Capital Projects Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Debt
Assets:							
Current Assets:							
Cash and Investments	$ 5,068,061.97	$ 8,933,102.22	$	$ 121,308.50	$ 4,082,608.31	$	$
Cash with Trustee		2,982.42	11,212,069.17				
Taxes Receivable--Current	17,604,558.57	2,475,233.21					
Taxes Receivable--Delinquent	415,661.57	84,893.08					
Notes Receivable		355,000.00					
Due From General Fund		525,000.00					
Due From Federal Government	282,829.17						
Due From State Government	18,018.00	585,852.34			13,212.56		
Due From Local Governments	35,984.67						
Due From Others	171,166.84	392,886.19		126,221.77	1,158.00		
Inventory of Supplies		288,315.14					
Total Current Assets	23,596,278.79	13,643,266.60	11,212,069.17	247,530.27	4,096,978.87	0.00	0.00
Fixed Assets:							
Land					4,838,900.72		
Buildings and Structures					32,190,203.77		
Furniture and Equipment					5,824,241.56		
Machinery/Automotive Equipment					4,729,982.40		
Construction in Progress					14,256,715.08		
Total Fixed Assets	0.00	0.00	0.00	0.00	0.00	61,840,043.53	0.00
Other Assets:							
Amount Available for Payment of Certificates of Participation							2,716,824.00
Amount to be provided for:							
Certificates of Participation							37,003,176.00
Payment of Accrued Leave							1,320,919.39
John Deere Contract Payable							244,107.30
NSP Contract Payable							27,983.59
Pitney Bowes Contract Payable							20,655.22
Total Other Assets	0.00	0.00	0.00	0.00	0.00	0.00	41,333,665.60
TOTAL ASSETS	$ 23,596,278.79	$ 13,643,266.60	$ 11,212,069.17	$ 247,530.27	$ 4,096,978.87	$ 61,840,043.53	$ 41,333,665.60

Liabilities and Equity:							
Current Liabilities:							
Vouchers Payable	$ 320,764.63	$ 155,765.59	$ 364,465.31	$	$ 13,371.21	$	$
Claims Payable				55,192.04			
Due to Special Revenue Fund	525,000.00						
Due to Local Governments	32,862.10						
Due to State Governments					2,110,327.07		
Due to Others	283.43				1,615,521.65		
Amounts Held for Others							
Payroll Withholding	145,293.00	22,632.00			5,300.00		
Deferred Revenues	18,020,218.14	2,560,126.29					
Total Current Liabilities	19,044,421.30	2,738,523.88	364,465.31	55,192.04	3,744,519.93	0.00	0.00
Long-Term Liabilities:							
Certificates of Participation Payable							39,720,000.00
Accrued Leave Payable							1,320,919.39
Other Long-Term Debt Payable							292,746.11
Total Long-Term Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	41,333,665.50
Total Liabilities	19,044,421.30	2,738,523.88	364,465.31	55,192.04	3,744,519.93	0.00	41,333,665.50
Fund Equity:							
Investment in General Fixed Assets						61,840,043.53	
Retained Earnings:							
Reserved for Health/Life Insurance				192,338.23			
Fund Balances:							
Reserved for Inventory		286,315.14					
Reserved for Certificates of Participation		2,716,824.00					
Unreserved Fund Balances:							
Designated for 2003 Budget	1,859,556.00	2,693,740.00					
Designated for Capital Projects			10,847,603.86				
Designated for Law Library					1,400.59		
Designated for Hazmat Committee					8,586.86		
Designated for Courthouse Trust					22,779.43		
Designated for Museum Store					26,278.44		
Designated for Museum Trust					129,889.69		
Designated for Law Enforcement Equipment							
Undesignated	2,692,301.49	5,205,863.58			163,523.93		
Total Fund Equity	4,551,857.49	10,904,742.72	10,847,603.86	192,338.23	352,458.94	61,840,043.53	0.00
TOTAL LIABILITIES & FUND EQUITY	$ 23,596,278.79	$ 13,643,266.60	$ 11,212,069.17	$ 247,530.27	$ 4,096,978.87	$ 61,840,043.53	$ 41,333,665.50

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Year Ended December 31, 2002

	Governmental Fund Types			Fiduciary Fund Types
	General Fund	Special Revenue Funds	Capital Projects	Expendable Trust Funds
Revenue:				
Taxes	$ 16,191,838.71	$ 6,552,516.90	$	$
Licenses and Permits	153,879.00	45,780.00		
Intergovernmental Revenues	2,206,593.02	4,914,530.23		358,082.08
Charges for Goods and Services	5,433,186.40	41,647.97		34,242.00
Fines and Forfeits	169,534.45			
Miscellaneous Revenue	672,917.31	452,923.17	874,094.53	114,252.27
Total Revenue	24,627,948.89	12,007,398.27	874,094.53	506,576.35
Expenditures:				
General Government	9,695,654.44	273,708.08	15,399.00	264,804.50
Public Safety	10,326,940.24	2,553,551.40	9,818,943.50	72,899.47
Public Works		6,831,965.53		
Health and Welfare	2,962,082.12	76,992.42		
Culture and Recreation	990,501.56	637,991.39		90,147.27
Conservation of Natural Resources	177,684.80			
Urban and Economic Development	360,832.71			
Debt Service	20,094.60	2,770,175.13		
Total Expenditures	24,533,790.47	13,144,383.95	9,834,342.50	427,851.24

Other Financing Sources (Uses):				
Operating Transfers In		511,052.95		
Insurance Proceeds (Catastrophic)	43,208.02			
Proceeds from Capital Lease		307,883.70		
Operating Transfers Out	(511,052.95)			
Total Other Financing Sources (Uses)	(467,844.93)	818,936.65	0.00	0.00
Excess of Revenue Over (Under) Expenditures	(173,686.51)	(318,049.03)	(8,960,247.97)	78,725.11
Other Changes in Unreserved Fund Balance:				
Decrease in Reserve for Inventory		(49,515.25)		
Fund Balance, January 1, 2002	4,725,544.00	11,308,677.74	19,807,851.83	273,733.83
Adjustment:				
2001 E-911 Refund to City of Sioux Falls		(36,370.74)		
FUND BALANCE, DECEMBER 31, 2002	$ 4,551,857.49	$ 10,904,742.72	$ 10,847,603.86	$ 352,458.94

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECT FUND TYPES
For the Year Ended December 31, 2002

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes:						
General Property Taxes--Current	$ 16,107,064.00	$ 15,798,548.03	$ (308,515.97)	$ 2,724,077.00	$ 2,672,788.97	$ (51,288.03)
General Property Taxes--Delinquent	79,000.00	162,624.57	83,624.57	20,800.00	45,355.48	24,555.48
Penalties and Interest	20,000.00	38,092.20	18,092.20	4,500.00	8,110.68	3,610.68
Telephone Tax	175,000.00	126,720.21	(48,279.79)			
Mobile Home Tax	50,000.00	45,095.28	(4,904.72)	12,000.00	7,899.86	(4,100.14)
Wheel Tax				2,300,000.00	2,369,161.34	69,161.34
911 Telephone Surcharge				1,321,200.00	1,447,857.71	126,657.71
Other Taxes	16,000.00	20,758.42	4,758.42	200.00	1,342.86	1,142.86
Licenses and Permits	157,700.00	153,879.00	(3,821.00)	47,000.00	45,780.00	(1,220.00)
Intergovernmental Revenues:						
Federal Grants	190,000.00	346,355.65	156,355.65	45,000.00	53,206.07	8,206.07
Federal Shared Revenue	502,750.00	553,499.95	50,749.95			
Federal Payments in Lieu of Tax	1,300.00	1,420.14	120.14	300.00	474.92	174.92
State Grants	5,000.00	3,284.95	(1,715.05)	0.00	800.00	800.00
State Shared Revenue:						
Bank Franchise	540,000.00	437,608.93	(102,391.07)	165,000.00	82,602.64	(82,397.36)
Motor Vehicle Licenses				3,600,000.00	3,750,268.18	150,268.18
Inheritance Tax	0.00	189,534.94	189,534.94			
Public Defense Attorney's	120,000.00	228,787.64	108,787.64			
Prorate/Port of Entry Fees				250,000.00	280,520.16	30,520.16
Abused and Neglected Child Defense	0.00	10,852.42	10,852.42			
85% Mobile Home				170,000.00	70,886.77	(99,113.23)
Other Intergovernmental Revenue	450,000.00	435,248.40	(14,751.60)	1,424,436.00	675,771.49	(748,664.51)
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	182,300.00	213,852.01	31,552.01			
Register of Deeds' Fees	1,125,000.00	1,655,957.45	530,957.45			
Legal Services	315,000.00	335,916.09	20,916.09			
Clerk of Court Fees	200,000.00	213,587.84	13,587.84			
Other Fees	213,500.00	198,161.63	(15,338.37)	16,000.00	15,800.00	(200.00)
Public Safety:						
Law Enforcement	380,000.00	407,815.43	27,815.43			
Prisoner Care	1,699,000.00	2,183,885.52	484,885.52			
Other				0.00	300.00	300.00
Public Works:						

Highways				46,000.00	25,547.97	(20,452.03)
Health and Welfare:						
Poor Lien Recoveries	150,000.00	159,866.05	9,866.05			
Mental Health Services	46,000.00	61,285.94	15,285.94			
Conservation-Natural Resources	0.00	2,858.44	2,858.44			
Fines and Forfeits:						
Fines	86,500.00	78,113.28	(8,386.72)			
Costs	12,000.00	28,256.07	16,256.07			
Forfeits	85,000.00	63,165.10	(21,834.90)			
Miscellaneous Revenues:						
Interest	700,000.00	211,805.58	(488,194.42)	453,000.00	318,091.87	(134,908.13)
Rent	285,805.00	294,753.50	8,948.50			
Refund of Prior Year's Expenditures	10,000.00	2,395.91	(7,604.09)			
Other	142,650.00	163,962.32	21,312.32	90,000.00	134,831.30	44,831.30
Total Revenues	24,046,569.00	24,827,948.89	781,379.89	12,689,513.00	12,007,398.27	(682,114.73)
Expenditures:						
General Government:						
Board of County Commissioners	330,163.00	328,601.85	1,561.15			
Contingency	25,000.00					
(Amount Transferred)	(24,000.00)		1,000.00			
Elections	206,381.00	205,762.52	618.48			
Judicial System	932,000.00	877,974.32	54,025.68			
Auditor	367,123.50	367,033.99	89.51			
Treasurer	781,632.13	776,230.53	5,401.60			
Data Processing	1,051,795.73	1,028,536.31	23,259.42			
Human Resources	157,166.80	149,279.84	7,886.96			
S.E.C.O.G.	18,574.00	18,574.00	0.00			
States Attorney	1,542,713.00	1,541,129.24	1,583.76			
Public Defender	1,079,392.00	1,077,449.27	1,942.73			
Public Advocate	218,866.00	216,276.26	2,589.74			
General Government Building	1,230,134.40	1,172,027.23	58,107.17	947,929.61	273,708.08	674,221.53
Director of Equalization	821,629.58	808,307.77	13,321.81			
Register of Deeds	576,922.90	571,424.20	5,498.70			
Veterans Service Officer	38,212.00	37,615.24	596.76			
Predatory Animal (GFP)	4,769.00	4,768.64	0.36			
Insurance	536,837.00	514,663.23	22,173.77			
Public Safety:						
Air Guard	489,649.00	469,416.67	20,232.33			
Sheriff	2,949,051.82	2,942,000.64	7,050.78			
Human Society	34,000.00	32,746.80	1,253.20			
Sheriff/Jail	4,741,568.00	4,739,590.45	1,977.55			
Coroner	105,000.00	94,787.44	10,212.56			
Juvenile Detention Center	2,175,541.00	2,045,898.04	129,642.96			
Fire Protection				272,597.00	272,597.00	0.00
Emergency Management				163,050.52	154,850.47	8,200.05
Communications (E-911)				3,331,143.45	2,126,103.93	1,205,039.52

MINNEHAHA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECT FUND TYPES
For the Year Ended December 31, 2002
(continued)

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Safety Village	2,500.00	2,500.00	0.00			
Public Works:						
Highway Administration				746,799.95	597,337.80	149,462.15
Highway Construction				8,508,449.02	6,234,627.73	2,273,821.29
Health and Welfare:						
Support of Poor	2,365,007.00	1,999,790.14	365,216.86			
Representative Payee	76,071.00	68,860.36	7,210.64			
FEMA Fund				14,774.92	14,774.92	0.00
Food Service Center	14,000.00	14,000.00	0.00			
Project Awareness	5,000.00	0.00	5,000.00			
Domestic Abuse				63,000.00	62,217.50	782.50
Retired Senior Volunteer	1,000.00	1,000.00	0.00			
Sioux Falls Tomorrow	12,000.00	12,000.00	0.00			
Homeless Coalition	20,000.00	20,000.00	0.00			
Rape/Domestic Abuse Center	10,000.00	10,000.00	0.00			
Glory House	7,500.00	0.00	7,500.00			
CASA	7,000.00	7,000.00	0.00			
Volunteer & Info Center	10,000.00	10,000.00	0.00			
Dakotabilities	15,476.00	15,476.00	0.00			
Sioux Vocational School	46,428.00	46,428.00	0.00			
Mental Health Centers	123,809.00	123,809.00	0.00			
Mental Illness Board	634,950.00	633,718.62	1,231.38			
Culture and Recreation:						
Public Library				631,869.00	631,815.00	54.00
Historical Museum	895,425.00	821,682.15	73,742.85	37,665.93	6,176.39	31,489.54
Historical Preservation	1,000.00	32.86	967.14			
Memorial Day Expense	1,200.00	1,196.55	3.45			
Pavillion	30,000.00	30,000.00	0.00			
County Cemetery	500.00	80.00	420.00			
Multicultural Center	10,000.00	10,000.00	0.00			
N. Froehlich Community Center	2,500.00	2,500.00	0.00			
County Fair	125,010.00	125,010.00	0.00			
Senior Citizens	7,500.00	0.00	7,500.00			

Conservation of Natural Resources:						
County Extension	148,014.11	142,684.80	5,329.31			
Soil Conservation	30,000.00	30,000.00	0.00			
Agri Business	5,000.00	5,000.00	0.00			
Urban and Economic Development:						
Planning and Zoning	341,739.79	335,832.71	5,907.08			
MCEDA	10,000.00	10,000.00	0.00			
SF Development Foundation	5,000.00	5,000.00	0.00			
Forward Sioux Falls IV	10,000.00	10,000.00	0.00			
Debt Service:						
Treasurer	6,228.00	6,228.00	0.00			
General Government Building	13,866.60	13,866.60	0.00			
Highway Construction				61,576.74	61,576.74	0.00
Building Fund				2,708,598.39	2,708,598.39	0.00
Total Expenditures	25,383,846.16	24,533,790.47	850,055.69	17,487,454.53	13,144,383.95	4,343,070.58
Other Financing Sources (Uses):						
Operating Transfers In						
Insurance Proceeds (Catastrophic)	150,000.00	43,208.02	(106,791.98)	511,052.95	511,052.95	0.00
Proceeds from Capital Lease				0.00	307,883.70	307,883.70
Operating Transfers Out	(511,052.95)	(511,052.95)	0.00			
Total Other Financing Sources (Uses)	(361,052.95)	(467,844.93)	(106,791.98)	511,052.95	818,936.65	307,883.70
Excess of Revenue and Other Sources Over (Under) Expenses	(1,698,330.11)	(173,686.51)	1,524,643.60	(4,286,888.58)	(318,049.03)	3,968,839.55
Other Changes in Unreserved Fund Balance:						
Decrease in Reserve for Inventory				0.00	(49,515.25)	(49,515.25)
Fund Balance, January 1, 2002	4,725,544.00	4,725,544.00	0.00	11,308,677.74	11,308,677.74	0.00
Adjustment:						
2001 E-911 Refund to City of Sioux Falls				0.00	(36,370.74)	(36,370.74)
FUND BALANCE, DECEMBER 31, 2002	$ 3,027,213.89	$ 4,551,857.49	$ 1,524,643.60	$ 7,021,789.16	$ 10,904,742.72	$ 3,882,963.56

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL--GENERAL, SPECIAL REVENUE AND CAPITAL PROJECTS FUND TYPES
For the Year Ended December 31, 2002
(Continued)

	Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenue:			
Miscellaneous Revenue:			
Interest	$ 0.00	$ 874,094.53	$ 844,094.53
Expenditures:			
General Government:			
Other Administration:			
Other	50,000.00	15,399.00	34,601.00
Public Safety:			
Law Enforcement:			
Sheriff/Jail	10,200,000.00	9,818,943.50	381,056.50
Total Expenditures	10,250,000.00	9,834,342.50	415,657.50
Excess of Revenue and Other Sources Over (Under) Expenditures	(10,250,000.00)	(8,960,247.97)	1,259,752.03
Fund Balance, January 1, 2002	19,807,851.83	19,807,851.83	0.00
FUND BALANCE, DECEMBER 31, 2002	$ 9,557,851.83	$ 10,847,603.86	$ 1,259,752.03

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2002

	Proprietary Fund Types
	Internal Service Funds
Operating Revenue:	
Charges for Goods and Services	$ 2,237,525.02
Operating Expenses:	
Insurance Cost	188;174.95
Claims Paid	1,819,697.75
Administration Fees	14,722.53
Other	1,082.46
Total Operating Expenses	2,023,677.69
Operating Income (Loss)	213,847.33
Nonoperating Revenue:	
Interest Income	3,176.74
Rebate	2,236.59
Total Nonoperating Revenue	5,413.33
Net Income (Loss)	219,260.66
Retained Earnings, January 1, 2002	(26,922.43)
RETAINED EARNINGS, DECEMBER 31, 2002	$ 192,338.23

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
For the Year Ended December 31, 2002

	Proprietary Fund Types
	Internal Service Funds
Cash Flows from Operating Activities:	
Operating Income (Loss)	$ 213,847.33
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Receivables	(122,186.44)
Increase (Decrease) in Accounts Payable	(80,560.36)
Net Cash Provided (Used) by Operating Activities	11,100.53
Cash Flows from Noncapital Financing Activities:	
Rebate	2,236.59
Cash Flows from Investing Activities:	
Interest Received	3,176.74
Net Increase (Decrease) in Cash and Cash Equivalents During the Fiscal Year	16,513.86
Cash and Cash Equivalents at Beginning of Year	104,794.64
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 121,308.50

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the board of county commissioners.

The accounting policies of the county conform to generally accepted accounting principles as applicable to governments.

b. Fund Accounting:

The accounts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into 3 broad fund categories and 5 generic fund types as follows:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the county. It is used to account for all financial resources except those required to be accounted for in another fund.

Special revenue funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital project funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Construction Fund is the only capital projects fund maintained by the county.

Proprietary Funds:

Internal service funds – internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies or to other governments, on a cost-reimbursement basis. The Medical Self-Insurance Fund is the only internal service fund maintained by the county.

The proprietary fund does not apply any FASB Statements and Interpretations issued after November 30, 1989.

Fiduciary Funds:

Trust and agency funds - trust and agency funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

c. Fixed Assets and Long-Term Liabilities:

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of fixed assets are not capitalized along with other fixed asset costs.

The total December 31, 2002 balance of general fixed assets includes approximately ten percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Long-term liabilities expected to be financed from governmental funds are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

d. Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. The revenues which are accrued at December 31, 2002 are amounts due from federal, state, local governments and other entities.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized when due.

All proprietary funds and nonexpendable trust and pension funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

e. Budgets and Budgetary Accounting:

The county follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the board of county commissioners prepares and files with the county auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The board of county commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the board of county commissioners.

4. Before October first of each year the board of county commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the county auditor.

5. After adoption by the board of county commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the board of county commissioners.

   Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, special revenue funds and capital projects funds.

   The county did not encumber any amounts at December 31, 2002.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund, special revenue funds and capital projects funds.

10. Budgets for the General Fund, special revenue funds and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

f. Deposits and Investments:

The county follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The county deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The county's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2002 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 300,000.00
Uninsured, collateral jointly held by state's/ municipality's agent in the name of the state and the pledging financial institution.	18,241,703.42
Total Deposits	$ 18,541,703.42

The carrying amount of deposits on the December 31, 2002 balance sheet was $18,191,953.68.

Investments - In general, SDCL 4-5-6 permits county funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value.

The entity's investments, except for mutual funds, are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

The investments at December 31, 2002 were as follows:

	Category 1 Fair Value
Mutual Funds:	
Prime Obligation Fund	$ 11,215,051.59
Wells Fargo Mutual Funds	2,227.32
Total Investments	$ 11,217,278.91

g. Inventory:

Inventory is valued at the lower of cost or market. The cost valuation method is average cost method. Inventory in the special revenue funds consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

h. Interfund Receivables:

Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

i. Deferred Revenue:

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where

asset recognition criteria have been met but for which revenue recognition criteria have not been met.

J. Cash Flows:

The county pools its cash resources for depositing and investing purposes. The proprietary funds essentially have access to their cash resources on demand. Accordingly, all reported deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

2. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The county is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation of the property in the county.

3. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets for the year ended December 31, 2002 is as follows:

	Balance 1/1/02	Additions	Deletions	Balance 12/31/02
Land	$ 5,028,796.82	$ 46,091.76	$ (235,987.86)	$ 4,838,900.72
Buildings	32,066,425.37	123,964.55	(186.15)	32,190,203.77
Furniture and Equipment	5,544,285.10	424,768.78	(144,812.32)	5,824,241.56
Machinery and Automotive Equipment	3,918,390.81	1,043,603.88	(232,012.29)	4,729,982.40
Construction Work in Progress	4,437,771.58	9,818,943.50		14,256,715.08
TOTAL	$ 50,995,669.68	$ 11,457,372.47	$ (612,998.62)	$ 61,840,043.53

Construction Work in Progress at December 31, 2002 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2002	Committed	Required Future Financing
County Jail	$ 23,000,000.00	$ 14,256,715.08	$ 0.00	$ 8,743,284.92

4. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Certificates of Participation	Financing (Capital Acquisition) Leases	Compensated Absences	Total
Debt Payable, January 1, 2002	$ 40,395,000.00	$ 63,822.66	$ 1,278,492.71	$ 41,737,315.37
New Issues:				
Capital Lease, Two Motor Graders		305,684.04		305,684.04
Retired	(675,000.00)	(76,760.59)		(751,760.59)
Change In Compensated Absences			42,426.68	42,426.68
DEBT PAYABLE, DECEMBER 31, 2002	$ 39,720,000.00	$ 292,746.11	$ 1,320,919.39	$ 41,333,665.50

In prior years the county defeased certain Certificates of Participation by placing the proceeds of new certificates in an irrevocable trust to provide for all future debt service payments of the old certificates. Accordingly the trust account assets and the liability for the defeased certificates are not included in the county's financial statements. On December 31, 2002, the county had $5,615,117.79 on deposit with the escrow agent in this irrevocable trust to retire $15,095,000.00 of certificates still outstanding, which are now considered defeased.

Debt payable at December 31, 2002 is comprised of the following:

Certificates of Participation:	
Limited Tax General Obligation – Series 1994A, 4.20 to 5.80 Percent Interest, Final Maturity Date of December 2004, Retired by the Building Fund (Special Revenue Fund)	$ 795,000.00
Limited Tax General Obligation – Series 1994B, 4.20 to 5.80 Percent Interest, Final Maturity Date of December 2004, Retired by the Building Fund (Special Revenue Fund)	$ 475,000.00
Limited Tax General Obligation – Series 1995, 2.75 to 6.00 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 355,000.00
Limited Tax General Obligation – Series 1997A, 4.10 to 5.45 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 3,295,000.00
Limited Tax General Obligation – Series 1997B, 4.10 to 5.45 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 3,245,000.00
Limited Tax General Obligation – Series 1999, 3.90 to 4.50 Percent Interest, Final Maturity Date of December 2012, Retired by the Building Fund (Special Revenue Fund)	$ 8,555,000.00
Limited Tax General Obligation – Series 2000, 4.4 to 5.0 Percent Interest, Final Maturity Date of December 2015, Retired by the Building Fund (Special Revenue Fund)	$ 10,000,000.00

Limited Tax General Obligation – Series 2001, 4.4 to 5.0 Percent Interest, Final Maturity Date of November 2020, Retired by the Building Fund (Special Revenue Fund)	$ 13,000,000.00

Of the 1994A and 1994B issues, approximately $2,500,000 was for construction and remodeling of juvenile detention facilities. As disclosed in Note 6, annual rental payments received from the participating counties will be designated for debt service by Minnehaha County.

Compensated Absences:

Vacation Leave, Retired by the General and Special Revenue Funds	$ 715,650.41
Sick Leave, Retired by the General and Special Revenue Funds	$ 605,268.98

Payment to be made by the fund that the payroll expenditures are charged to.

Financing (Capital Acquisition) Lease:

1994 Installment Sales Contract with Northern States Power Company, 6.40 Percent Interest, Final Maturity Date of February 2005, Retired by the General Fund	$ 27,983.59
2001 Mailing/Postage System Capital Lease with Pitney Bowes, 12 Percent Interest, Final Maturity Date of March 2007, Retired by the General Fund	$ 20,655.22
2002 Capital Lease with John Deere for Two Motor Graders, 4.50 Percent Interest, Final Maturity Date of October 2007, Retired by the County Road and Bridge Fund	$ 244,107.30

The purchase price at the commencement of the financing (capital acquisition) leases were:

Principal	$ 434,455.37
Interest	49,464.33
TOTAL	$ 483,919.70

The annual requirements to amortize all debt outstanding as of December 31, 2002, except for compensated absences but including interest payments of $21,075,719.17, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2002

Year Ending Dec. 31,	Certificates of Participation	Financing (Capital Acquisition) Leases	Total
2003	$ 2,716,823.50	$ 81,671.34	$ 2,798,494.84
2004	3,786,931.50	81,671.34	3,868,602.84
2005	3,850,760.50	70,115.84	3,920,876.34
2006	3,753,538.00	67,804.74	3,821,342.74
2007	3,701,482.00	1,559.00	3,703,041.00
Thereafter	42,976,107.52		42,976,107.52
TOTAL	$ 60,785,643.02	$ 302,822.26	$ 61,088,465.28

5. CONDUIT DEBT

In the past, the county has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the county, the State of South Dakota, or any other political subdivision of the state is obligated in any

manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2002, there were four series of conduit bonds outstanding, with an aggregate unpaid principal amount of $18,708,647.94.

6. OPERATING LEASES

Minnehaha County entered into an operating lease agreement on April 1, 1995, with thirteen counties to provide them access to Minnehaha County's juvenile detention facilities. This contract is to remain in effect for twenty years (until March 31, 2015). The payments will be the same throughout the term of the lease agreement and are due each June 1st and December 31st.

The counties and their annual rental payments to Minnehaha County will be as follows:

Bon Homme	$ 4,332.12
Brookings	22,726.18
Charles Mix	8,370.16
Clay	9,680.67
Hanson	2,294.08
Hutchinson	5,604.60
Lake	7,642.64
Lincoln	14,012.80
McCook	3,822.61
Miner	2,038.04
Moody	5,604.60
Turner	4,841.63
Yankton	14,775.77
Total	$ 103,745.90

There are additional daily charges to the participating counties for expenses related to housing juveniles in the detention facilities.

The county is leasing a front-end loader. The following are the minimum payments on these existing operating leases for equipment.

Year	Highway Fund
2003	$ 16,329.34

7. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The county's share of contributions to the SDRS for the fiscal years ended December 31, 2002, 2001, and 2000 were $927,270.05, $811,593.53 and $760,643.74, respectively, equal to the required contributions each year.

8. LITIGATION

At December 31, 2002, the county was involved in several lawsuits. Because of the uncertainty of these lawsuits, the effect to the financial statements could not be determined. However, no material effects are anticipated.

9. RISK MANAGEMENT

The county is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2002, the county managed its risks as follows:

Employee Health Insurance:

The county is self-insured for employee health insurance.

Minnehaha County purchases catastrophic coverage for employee's health insurance to minimize their exposure to risks of loss to the self-insurance program. The county purchases two types of insurance. The first is aggregate excess liability insurance. This insurance will pay 100% of all claims in excess of a pre-determined dollar amount for a claim year. The insurance company applying a formula based upon previous years' annual claims and self-insurance group size determines the dollar amount of aggregate claims. In 2002 the minimum aggregate amount was $2,556,557.00. The insurance company would pay 100% of all program eligible claim expenses in excess of that amount for 2002. The other form of insurance carried by the county on the self-insurance program covers individual cases. In 2002 the insurance company set a $100,000 yearly deductible level on individual cases. Any individual's eligible claim expenses exceeding $100,000 that are to be paid by the self-insurance program will be paid 100% by the insurance company.

The insurance company also sets a $1,000,000 maximum lifetime coverage amount on individuals. Based on the 2002 insurance agreement and a review of the 2001 and 2000 insurance agreements, the county's self-insurance program has not had any significant reductions in insurance coverage from previous years to the current year. In 2000 the self-insurance program's total yearly claims exceeded this minimum aggregate deductible amount set by the insurance company, but it did not exceed the minimum in 2001 or 2002. Minnehaha County increased the aggregate deductible in 2001 to reduce insurance cost. In 2002 the self-insurance program's total yearly claim expenses did not exceed the minimum aggregate deductible of $2,556,557.00 established by the insurance company. In 2000 the program had four individuals with claim expenses that exceeded the individual claim level amount. In 2001 the program had three individuals with claim expenses that exceeded the individual claim level amount. In 2002 the program had three individuals with claim expenses that exceeded the individual claim level amount.

The county has reserved equity in the Self-Insurance Fund in the amount of $192,338.23 for the payment of future claims.

Liability Insurance:

The county joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide coverage for:

a. General Liability
b. Automobile Liability
c. Officials Liability
d. Law Enforcement Liability

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a $2,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. The county

carries a $5,000.00 deductible for the general liability, official's liability and law enforcement liability, with $0 deductible for Automotive Liability.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Worker's Compensation:

The county joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The county pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first $250,000 of any claim per individual. The pool has reinsurance which covers up to an additional $1,750,000 per individual per incident.

The county does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The county has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2002, three claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of $3,610.61. At December 31, 2002, no claims had been filed and were outstanding. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

10. ACCOUNTING PRINCIPLES CHANGE

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 establishes new requirements for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the county, GASB No. 34 implementation is first required for the calendar year ending December 31, 2003. The effect of the implementation of GASB No. 34 on the financial statements of the county has not yet been determined.

MINNEHAHA COUNTY
COUNTY OFFICIALS
December 31, 2002

Board of Commissioners:

Robert Kolbe, Chairman
Carol Twedt
James Zweep
John Pekas
Michael O'Connor

Auditor:

Sue Roust

Treasurer:

Billie Jo Warra

State's Attorney:

David Nelson

Register of Deeds:

Marlene Wolfe

Sheriff:

Mike Milstead

MINNEHAHA COUNTY
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
December 31, 2002

	E-911 Fund	Highway Fund	Fire Fund
Assets:			
Cash	$435,743.15	$ 3,936,690.96	$129,554.17
Cash with Trustee			279,133.41
Current Tax			7,142.54
Delinquent Tax			
Note Receivable		525,000.00	
Due from General Fund		585,852.34	
Due from State		41.57	
Due from Others	390,596.62	288,315.14	
Inventory of Supplies			
TOTAL ASSETS	$826,339.77	$ 5,335,900.01	$415,830.12
Liabilities:			
Vouchers Payable	33,937.83	121,501.99	
Payroll Withholding	12,058.90	9,930.18	
Deferred Revenue			286,275.95
Total Liabilities	45,996.73	131,432.17	286,275.95
Equity:			
Reserved for Inventory		288,315.14	
Reserved for Certificates of Participation			
Designated for Next Year's Budget		1,196,406.00	(7,796.00)
Undesignated	780,343.04	3,719,746.70	137,350.17
Total Equity	780,343.04	5,204,467.84	129,554.17
TOTAL LIABILITIES AND EQUITY	$826,339.77	$ 5,335,900.01	$415,830.12

Library Fund	Museum Grants Fund	Emergency Mgmt Fund	Domestic Abuse Fund	Building Fund	TOTALS
$ 75,761.28	$ 31,489.54	$ 32,758.79	$ 8,712.50	$ 4,282,391.83	$ 8,933,102.22
				2,982.42	2,982.42
579,779.27				1,616,320.53	2,475,233.21
14,457.00				63,293.54	84,893.08
				355,000.00	355,000.00
					525,000.00
					585,852.34
			2,250.00		392,888.19
					288,315.14
$669,997.55	$ 31,489.54	$ 32,758.79	$ 10,962.50	$ 6,319,988.32	$13,643,266.60
		325.77			155,765.59
		642.92			22,632.00
594,236.27				1,679,614.07	2,560,126.29
594,236.27	0.00	968.69	0.00	1,679,614.07	2,738,523.88
					288,315.14
				2,716,824.00	2,716,824.00
				1,491,378.00	2,693,740.00
13,752.00					
62,009.28	31,489.54	31,790.10	10,962.50	432,172.25	5,205,863.58
75,761.28	31,489.54	31,790.10	10,962.50	4,640,374.25	10,904,742.72
$669,997.55	$ 31,489.54	$ 32,758.79	$ 10,962.50	$ 6,319,988.32	$13,643,266.60

MINNEHAHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2002

	E-911 Fund	Highway Fund	Fire Fund	Library Fund
Revenue:				
Taxes	$1,447,857.71	$ 2,369,161.34	$261,434.82	$543,568.89
Licenses and Permits				
Intergovernmental	558,395.40	4,101,675.11	8,647.18	22,186.10
Goods & Services	300.00	25,547.97		
Miscellaneous	44,698.43	2,759.84	6,830.14	64,466.99
Total Revenue	2,051,251.54	6,499,144.26	276,912.14	630,221.98
Expenditures:				
General Government				
Public Safety	2,126,103.93		272,597.00	
Public Works		6,831,965.53		
Health & Welfare				
Culture & Recreation				631,815.00
Debt Service		61,576.74		
Total Expenditures	2,126,103.93	6,893,542.27	272,597.00	631,815.00
Other Financing Sources:				
Transfers In	388,447.00	16,518.95		
Proceeds Capital Lease		307,883.70		
Total Other Financing Sources	388,447.00	324,402.65	0.00	0.00
Excess of Revenue Over (Under) Expenditures and Other Financing Sources and Uses	313,594.61	(69,995.36)	4,315.14	(1,593.02)
Decrease in Reserve for Inventory		(49,515.25)		
Fund Balance, January 1, 2002	503,119.17	5,323,978.45	125,239.03	77,354.30
Adjustment:				
2001 Revenue Correction	(36,370.74)			
FUND BALANCE, December 31, 2002	$ 780,343.04	$ 5,204,467.84	$129,554.17	$ 75,761.28

Museum Grants Fund	Emergency Mgmt Fund	F.E.M.A. Fund	Domestic Abuse Fund	Building Fund	TOTALS
$	$	$	$	$1,930,494.14	$ 6,552,516.90
			45,780.00		45,780.00
2,575.00	36,825.15	14,605.92		169,620.37	4,914,530.23
			15,800.00		41,647.97
15,900.00		169.00		318,098.77	452,923.17
18,475.00	36,825.15	14,774.92	61,580.00	2,418,213.28	12,007,398.27
				273,708.08	273,708.08
	154,850.47				2,553,551.40
					6,831,965.53
		14,774.92	62,217.50		76,992.42
6,176.39					637,991.39
				2,708,598.39	2,770,175.13
6,176.39	154,850.47	14,774.92	62,217.50	2,982,306.47	13,144,383.95
	106,087.00				511,052.95
					307,883.70
0.00	106,087.00	0.00	0.00	0.00	818,936.65
12,298.61	(11,938.32)		(637.50)	(564,093.19)	(318,049.03)
					(49,515.25)
19,190.93	43,728.42		11,600.00	5,204,467.44	11,308,677.74
					(36,370.74)
$ 31,489.54	$ 31,790.10	$ 0.00	$ 10,962.50	$4,640,374.25	$ 10,904,742.72

MINNEHAHA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2002

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures 2002
US Department of Agriculture:			
Indirect Federal Funding:			
SD Cooperative Extension Service			
Postage	10.500	N/A	$ 2,925.01
Department of Justice:			
Direct Federal Funding:			
Juvenile Justice and Delinquency Prevention	16.540	1999JSFX0018	39,223.98
Juvenile Drug and Crime Prevention (Note 4)	16.592	2001LBBX2844	28,457.77
Law Enforcement Block Grant			
Public Safety and Community Policing Grant			
COPS Technology Grant	16.710	2000CKWX0204	3,730.17
Indirect Federal Funding:			
SD Department of Corrections,			
Juvenile Accountability Incentive Block Grant	16.523	2000JBVX0046	219,061.09
(Note 3 and 4)	16.523	2001JBVX0046	51,148.86
Total Department of Justice			341,621.87
Department of Transportation:			
Indirect Federal Funding:			
SD Department of Transportation,			
Unified Planning Work Program			
Federal Highway	20.205	310612PL0194(22)	28,331.62
General Services Administration:			
Indirect Federal Funding:			
SD Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003	N/A	11,553.00
National Foundation on the Arts and Humanities:			
Direct Federal Funding:			
Museum Assessment Program III	45.301	IM-02-02-0141-02	1,775.00
Indirect Federal Funding:			
SD Arts Council			
Almost Forgotten Crafts of Early Dakota	45.025	N/A	800.00
Total National Foundation on the Arts and Humanities			2,575.00
Federal Emergency Management Agency:			
Indirect Federal Funding:			
United Way of America,			
Emergency Food and Shelter Program	83.523	N/A	14,904.00
SD Department of Military and Veterans' Affairs,			
State and Local Assistance	83.552	N/A	40,825.15
Total Federal Emergency Management Agency			55,729.15
U.S. Department of Education:			
Indirect Federal Funding:			
SD Department of Human Services			
After School Care Program (Note 4)	84.186	4194607040-03	45,758.99

Department of Health and Human Services:			
Indirect Federal Funding:			
SD Department of Social Services,			
Projects for Assistance in Transition for Homelessness (PATH)	93.150	N/A	14,489.77
Other Federal Assistance:			
Department of Interior:			
Direct Federal Funding:			
U.S. Fish and Wildlife Service,			
Refuge Revenue Sharing Act (Note 2)	15.999	N/A	7,543.00
Department of Justice:			
Direct Federal Funding:			
Federal Forfeited Property - Drug Seizure	16.999	N/A	8,630.76
Indirect Federal Funding:			
SD Department of Military and Veterans Affairs			
Emergency Airport Security	16.999	N/A	38,191.16
Office of National Drug Control Policy:			
Indirect Federal Funding:			
SD Attorney General's Office			
High Intensity Drug Traffic Area (HIDTA)		N/A	65,828.38
Total Other Federal Assistance			112,650.30
GRAND TOTAL			$ 623,177.71

Note 1: This schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Juvenile Drug and Crime Prevention - Baltic and West Central School Districts and Garretson City	16.540	$ 38,648.61
Juvenile Accountability Incentive Block Grant - Turning Point Outreach Center, Glory House, Juvenile Detention Center and Sioux Falls School District	16.523	153,501.69
After School Care Program - Sioux Falls School District	84.186	45,758.99
Total		$ 237,909.29

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

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MINNEHAHA COUNTY

AUDIT REPORT

For the Year Ended December 31, 2003

State of South Dakota
Department of Legislative Audit
427 South Chapelle
%500 East Capitol
Pierre, SD 57501-5070

MINNEHAHA COUNTY
COUNTY OFFICIALS
December 31, 2003

Board of Commissioners:

John Pekas, Chairman
Anne Hajek
Robert Kolbe
Carol Twedt
James Zweep

Auditor:

Sue Roust

Treasurer:

Billie Jo Waara

State's Attorney:

David R. Nelson

Register of Deeds:

Julie Risty

Sheriff:

Mike Milstead

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MINNEHAHA COUNTY
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STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of County Commissioners
Minnehaha County, South Dakota

We have audited the financial statements of Minnehaha County, South Dakota (County), as of December 31, 2003, and for the year then ended and have issued our report thereon dated May 27, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of current audit findings and questioned costs as item 2003-01. We also noted certain immaterial instances of noncompliance that we have reported to the management of the County in a separate communication dated May 18, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the County in a separate communication dated May 18, 2004.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by OMB Circular A-133 and by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

May 27, 2004

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Minnehaha County, South Dakota

Compliance

We have audited the compliance of Minnehaha County, South Dakota (County), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Minnehaha County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by OMB Circular A-133 and by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

May 27, 2004

MINNEHAHA COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Audit Findings:

The prior audit report contained no written audit comments.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

a. An unqualified opinion was issued on the financial statements.

b. No material weaknesses were disclosed by our audit of the financial statements and the major federal programs.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a)

f. The federal award tested as a major program was:

Community Development Block Grant CFDA #14.228

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Minnehaha County qualified as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Findings:

Unclaimed Property

Finding 2003-01:

The county failed to remit to the State of South Dakota – State Treasurer unclaimed property, in the form of outstanding checks in the amount of $35,850.69, in violation of South Dakota Codified Laws (SDCL) Chapter 43-41B.

Analysis:

SDCL § 43-41B-14 states:

Intangible property held for the owner by a court, federal, state, or other government, governmental subdivision or agency or entity, public corporation, public authority, or public officer of this state which

remains unclaimed by the owner for more than one year after becoming payable or distributable is presumed abandoned.

SDCL § 43-41B-18 states:

(a) A person holding property tangible or intangible, presumed abandoned and subject to custody as unclaimed property under this chapter shall report to the administrator concerning the property as provided in this section ....

(b) The report must be verified and must include:

(1) ... The name, if known, and last known address, if any, of each person appearing from the records of the holder to be the owner of property of the value of fifty dollars or more presumed abandoned under this chapter;

....

(4) The nature and identifying number, if any, or description of the property and the amount appearing from the records to be due, but items of value under fifty dollars each may be reported in the aggregate;

....

(d) The report must be filed before November first of each year as of June thirtieth, next preceding ...

SDCL § 43-41B-20 states:

(a) ... a person who is required to file a report under this chapter shall, at the same time as the final date for filing the report as required, pay or deliver to the administrator all abandoned property required to be reported ....

The county has outstanding checks dating back to June 29, 1999. The county cancelled a portion of the outstanding checks and returned the funds to the General Fund. Based on SDCL 43-41B-18, the abandoned property required to be remitted must be unclaimed for more than one year as of the measurement date of, June 30, 2003. The county had $35,850.69 of outstanding checks, considered to be abandoned property, as of June 30, 2003.

Recommendation:

We recommend that the county remit unclaimed property in accordance with SDCL Chapter 43-41B.

Closing Conference

The contents of this report were discussed with the county auditor, administrative assistant and county commissioners on May 18, 2004.

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DEPARTMENT OF LEGISLATIVE AUDIT

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Minnehaha County, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minnehaha County, South Dakota (County), as of December 31, 2003, and for the year then ended, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1.b., the County has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of January 1, 2003. Accordingly, comparisons of the accompanying financial statements to financial statements presented in prior years is not recommended.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and, in considering the results of the audit, that report should be read along with the independent auditor's report on the financial statements.

The accompanying Required Supplementary Information on pages 9 through 15 and 44 through 47 is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Minnehaha County taken as a whole. The accompanying combining nonmajor governmental fund financial statements and the schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin L. Guindon, CPA
Auditor General

May 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Minnehaha County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended on December 31, 2003. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's year-end undesignated General Fund balance increased $2.4 million from 2002, primarily due to the receipt of an extraordinary inheritance tax payment of $2.1 million.
- Because of new accounting standards, there are several changes to the way the County reports information on capital assets.
  - As of 1/1/03, the threshold for tracking capital assets (formerly called fixed assets) was raised, by action of the County Commission, from $250 to $5,000 ($50,000 for construction projects and infrastructure). This resulted in the removal of items valued at $3.6 million from capital assets.
  - We are now required to record depreciation on capital assets. Depreciation expense of $3.3 million is shown on the 2003 government-wide Statement of Activities.
  - We are now required to record the value of infrastructure (roads and bridges). $29.2 million in infrastructure (net of depreciation) is shown on the 12/31/03 Statement of Net Assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Required Components of Minnehaha County's Annual Financial Report

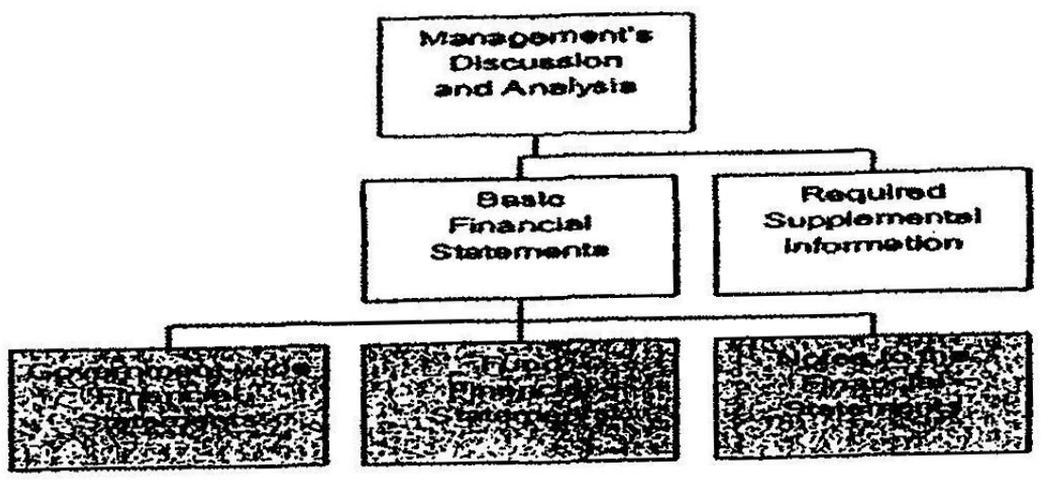

Figure A summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A

Major Features of Minnehaha County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope			
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Fiduciary Net Assets
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets although they can
Type of Inflow/Outflow Information			

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets – the difference between the County's assets and liabilities – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the conditions of the County's roads.

The government-wide financial statements of the County are reported in one category – Governmental Activities. This category include the County's basic services, such as general government services (auditor, treasurer, etc.), public safety, public works, health and welfare services, culture and recreation services, conservation and natural resource services, and urban and economic development programs. Property taxes, state shared revenues, federal grants and interest earnings finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The County Commission establishes other funds to control and manage money for particular purposes (such as the Jail Capital Project Fund, which is being used to account for the new Jail building project).

The County has two kinds of funds:

- Governmental Funds – The County's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Fiduciary (Agency) Funds – The County is the fiduciary, or agent, for collecting various funds for the State and for other units of local government. The primary sources of these funds are property taxes and vehicle license fees. These funds are transmitted to the appropriate governments monthly. The balance in the Agency Funds as of year-end is reported in the Statement of Fiduciary Net Assets. We exclude these activities from the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's combined net assets increased by $3.5 million, or 6.4%, from 2002 to 2003. An extraordinary payment of $2.1 million in inheritance tax was a major reason for the increase.

Table A-1
Minnehaha County
Net Assets

	Governmental Activities 2003
Current and Other Assets	$ 29,633,235
Capital Assets	71,461,825
Total Assets	$ 101,095,060
Long-term Debt Outstanding	$ 39,198,939
Other Liabilities	2,896,837
Total Liabilities	$ 42,095,776
Net Assets:	
Investment in Capital Assets Net of Related Debt	$ 32,262,886
Restricted	19,408,763
Unrestricted	7,327,635
Total Net Assets	58,999,284
Adjusted Beginning Net Assets	55,429,380
Increase in Net Assets	3,569,904
Percentage of Increase in Net Assets for 2003	6.4%

Since this is the first year to report all activities on the accrual basis of accounting, a comparison to the prior year is not possible (with the exception of the above comparison). However in future years, this section will explain the differences between the current and prior year's assets, liabilities, and changes in net assets.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Minnehaha County's primary long-term liability is $39 million in bonds (certificates of participation in a lease-purchase agreement) borrowed in 1994 through 2001 to finance building of the new Courthouse and Jail and remodeling of the Public Safety Building, Juvenile Detention Center, County Administration Building, Community Corrections Center, and Annex. Other long-term liabilities include compensated absences (sick and vacation leave) due to employees, and leases for two road graders and a power generator. The difference between the county's assets and liabilities is its net assets.

Changes in Net Assets

Again because this is the first year to report governmental activities on the accrual basis of accounting, a comparison to the prior year is not possible. However, in next year's discussion this section will show

condensed financial comparison of revenues and expenses and provide explanations for significant differences.

The County's total revenues (including extraordinary inheritance tax received) totaled $45,809,006. (See Table A-2.) About half of the County's revenue comes from property and other taxes. 16% comes from state shared revenues, such as bank franchise fee and motor license fees, and 17% comes from charges for services.

Taxes	$ 24,165,811	52.75%
State Shared Revenue	8,850,141	19.32%
Charges for Services	7,044,950	15.38%
Grants & Contributions	3,431,216	7.49%
Unrestricted Investment Earnings	806,239	1.76%
Miscellaneous & Special Items	1,510,649	3.30%
Total Revenue	$ 45,809,006	100.00%

The County's expenses cover a range of services, most mandated by state law.

General Government	$ 10,230,341	24.22%
Public Safety	16,345,041	38.70%
Public Works	7,564,530	17.90%
Health & Welfare	3,707,106	8.78%
Culture & Recreation	1,814,322	4.30%
Conservation of Natural Resources	148,184	0.35%
Urban & Economic Development	354,366	0.84%
Interest on Long-term Debt	1,978,375	4.68%
Depreciation - unallocated	96,837	0.23%
Total Expenses	$ 42,239,102	100.00%

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows considers the operations of the governmental activities.

Revenues for the County's government activities increased by 20%, or $7.55 million. Significant increases included property taxes ($1 million), inheritance tax ($2.3 million), a state of South Dakota grant to remodel the Coliseum ($1.7 million). Total expenses decreased by 11%, or $5.3 million. The primary reason for the decrease was that $9.8 million was spent on construction of the new jail in 2002, while $2.1 million was spent in 2003. The new jail opened in June, 2003, and increases Minnehaha County's jail bed capacity from 166 to 400 beds. Authorized full time positions in the jail increased from 72 in the 2001 budget to 119 for 2003. It is anticipated that fees for housing prisoners of other units of government will provide significant revenues for the next few years, since the jail was built with more space than is currently needed for Minnehaha County prisoners.

Table A-2
MINNEHAHA COUNTY
Changes In Net Assets

	Total Governmental Activities 2003
Revenues	
Program Revenues	
Charges for Services	$ 7,044,950
Operating Grants and Contributions	89,478
Capital Grants and Contributions	3,341,738
General Revenues	
Taxes	24,165,811
State Shared Revenues	8,850,141
Unrestricted Investment Earnings	806,239
Miscellaneous	1,510,849
Total Revenues	45,809,006
Expenses	
General Government	10,230,341
Public Safety	16,345,041
Public Works	7,564,530
Health and Welfare	3,707,106
Culture and Recreation	1,814,322
Conservation of Natural Resources	148,184
Urban and Economic Development	354,366
Interest on Long-term Debt	1,978,375
Depreciation - unallocated	96,837
Total Expenses	42,239,102
Excess of Revenues over Expenses	3,569,904
Increase in Net Assets	$ 3,569,904

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The financial analysis of the county's funds mirror those highlighted in the analysis of governmental activities presented above. The county does not maintain any business type funds. The General Fund had a $3.3 million increase in fund balance for the year while the Highway Fund increased by $213,000.

The county made the following operating transfers between the governmental funds:

	Operating Transfer In	Operating Transfer Out
General Fund	$ 525,000	$ (893,162)
Highway Fund		(525,000)
Other Governmental Funds	1,064,749	(171,587)
Total Operating Transfers	$ 1,589,749	$ (1,589,749)

BUDGETARY HIGHLIGHTS

Over the course of the year, the County Commission revised the County budget several times. Significant supplements included:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens ($814,000).
- Carryover supplements of $1.8 million to finance goods and services contracted for in 2002 and funded by the 2002 budget, for which bills were not received until 2003.
- Supplements of $772,000 to establish budgets for special revenue funds reclassified by changes in accounting principles. (These funds had formerly been classified as expendable trust funds, which did not require budgets.)
- Supplements of $4 million to establish budgets for the Jail Construction and Coliseum remodeling projects.
- Supplements of $626,000 representing reimbursements of unanticipated expenses, primarily in the form of state and federal grants.

CAPITAL ASSET ADMINISTRATION

At the end of 2003, the County had invested $71,461,826 in a broad range of capital assets, including land and improvements, buildings, machinery and equipment. The value of the County's capital assets changed significantly in 2003, due to (1) a change in the capital asset policy, (2) recognition of accumulated and current year depreciation on assets, and (3) the addition of a value for infrastructure. The new Jail was also reclassified from Construction in Progress to Buildings, since it began operation in June 2003. Because of these changes, a simple comparison of 2002 to 2003 capital assets is not meaningful. The 12/31/2003 capital assets by category (net of depreciation) were:

Land	$ 5,688,481
Construction in Progress	1,793,977
Infrastructure	29,224,204
Buildings	30,840,221
Machinery & Equipment	3,914,943
Total	$ 71,461,826

LONG-TERM DEBT

The county's primary long-term debt is $39 million in bonds (certificates of participation in a lease-purchase agreement) borrowed in 1994 through 2001 to finance building of the new Courthouse and Jail and remodeling of the Public Safety Building, Juvenile Detention Center, County Administration Building, Community Corrections Center, and Annex. Other long-term liabilities include $1.4 million for compensated absences (sick and vacation leave) due to employees, and $200,000 in leases for two road graders and a power generator.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The county's current economic position has shown little change. The county experienced an increase in property valuation of 4.16%, representing growth from improvements and new construction, from 2002 to 2003. Under the state mandated property tax limitation, property taxes from one year to the next may increase by 3% or an amount based on the Consumer Price Index (CPI) whichever is lower, plus the growth percentage. The allowable CPI increase for 2004 taxes is 1.6%. The County Commission has chosen to increase the 2004 property tax levy by 5.76%, the total increase allowed under the tax limitation.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact Sue Roust, Minnehaha County Auditor, 415 N Dakota Ave, Sioux Falls SD 57104, (605) 367-4220, or email sroust@minnehahacounty.org.

MINNEHAHA COUNTY
STATEMENT OF NET ASSETS
December 31, 2003

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	$ 16,995,749.29
Cash with Trustee	9,080,627.60
Taxes Receivable-Delinquent	380,808.83
Inventories	383,796.12
Other Assets	2,792,252.99
Capital Assets:	
Land, Improvements, and Construction in Progress	7,482,457.89
Other Capital Assets, Net of Depreciation	63,979,367.72
TOTAL ASSETS	$ 101,095,060.44
LIABILITIES :	
Claims Payable	$ 1,459,803.22
Other Current Liabilities	24,570.49
Long-Term Liabilities:	
Due Within One Year	3,010,300.70
Due in More than One Year	37,601,101.58
TOTAL LIABILITIES	42,095,775.99
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	32,262,886.36
Restricted for:	
Road and Bridge Purposes	5,060,096.52
Jail Capital Project	8,990,237.92
Other Purposes	5,358,428.49
Unrestricted (Deficit)	7,327,635.16
TOTAL NET ASSETS	58,999,284.45
TOTAL LIABILITIES AND NET ASSETS	$ 101,095,060.44

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$(10,230,341.34)	$ 3,486,816.57	$ 89,478.25	$ 2,059,718.73	$ (4,594,327.79)
Public Safety	(16,345,040.75)	3,350,736.18		826,282.85	(12,166,021.72)
Public Works	(7,564,530.28)	23,593.93			(7,540,936.35)
Health and Welfare	(3,707,106.14)	165,853.68			(3,541,252.46)
Culture and Recreation	(1,814,322.20)	17,949.67			(1,796,372.53)
Conservation of Natural Recources	(148,184.00)				(148,184.00)
Urban and Economic Development	(354,366.14)			455,736.93	101,370.79
* Interest on Long-term Debt	(1,978,374.83)				(1,978,374.83)
**Depreciation-unallocated	(96,837.16)				(96,837.16)
Total Primary Government	$(42,239,102.84)	$ 7,044,950.03	$ 89,478.25	$ 3,341,738.51	$(31,762,936.05)

* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

** This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 7.

General Revenues:	
Taxes:	
Property Taxes	$ 24,165,810.84
State Shared Revenue	8,850,141.17
Grants and Contributions not Restricted to Specific Programs	550,478.42
Unrestricted Investment Earnings	806,239.09
Miscellaneous Revenues	960,170.89
Total General Revenues	35,332,840.41
Change in Net Assets	3,569,904.36
Net Assets-Beginning	26,656,663.01
Adjustments:	
Effect due to accounting change and change in capitalization policy	28,772,717.08
Adjusted Net Assets-Beginning	55,429,380.09
NET ASSETS - ENDING	$ 58,999,284.45

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

	General Fund	Road & Bridge Fund	Jail Capital Project Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	$ 7,580,198.89	$ 4,661,065.65	$	$ 4,424,126.58	$ 16,665,391.12
Cash With Trustee			9,080,627.60		9,080,627.60
Taxes Receivable--Delinquent	319,640.12			61,168.71	380,808.83
Notes Receivable				335,000.00	335,000.00
Due from Federal Government	375,005.22			681,636.00	1,056,641.22
Due from State Government	107,264.94	572,945.47		73,487.16	753,687.57
Due from Local Governments	29,483.72				29,483.72
Due from Others	253,843.78	1,875.93		361,720.77	617,440.48
Inventory of Supplies		383,796.12			383,796.12
TOTAL ASSETS	$ 8,665,426.67	$ 5,619,683.17	$ 9,080,627.60	$ 5,937,139.22	$ 29,302,876.66
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Claims Payable	$ 517,787.82	$ 201,540.74	$ 90,389.68	$ 487,379.05	$ 1,297,097.29
Due to Local Government	21,105.77				21,105.77
Payroll Withholding Payable	2,609.80	634.52		220.40	3,464.72
Deferred Revenue	319,640.12			61,168.71	380,808.83
Total Liabilities	861,143.51	202,175.26	90,389.68	548,768.16	1,702,476.61

Fund Balances:					
Reserved For:					
Inventory		383,796.12			383,796.12
Debt Service				2,788,355.85	2,788,355.85
Law Library				5,572.42	5,572.42
Unreserved Fund Balances:					
Designated for Next Year's Appropriation:					
General Fund	2,716,162.00				2,716,162.00
Road and Bridge Purposes		1,268,717.00			1,268,717.00
Jail Capital Projects Funds			8,990,237.92		8,990,237.92
Other Purposes - Special Revenue Funds				2,086.00	2,086.00
Other Purposes - Capital Project Funds				78,259.16	78,259.16
Undesignated, Reported In:					
General Fund	5,088,121.16				5,088,121.16
Road and Bridge Purposes		3,764,994.79			3,764,994.79
Other Purposes - Special Revenue Funds				2,514,097.63	2,514,097.63
Total Fund Balances	7,804,283.16	5,417,507.91	8,990,237.92	5,388,371.06	27,600,400.05
TOTAL LIABILITIES AND FUND BALANCES	$ 8,665,426.67	$ 5,619,683.17	$ 9,080,627.60	$ 5,937,139.22	$ 29,302,876.66

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2003

Total Fund Balances - Governmental Funds	$ 27,600,400.05
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $113,208,687.76 and the accumulated depreciation is $41,746,862.15.	71,461,825.61
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(40,611,402.28)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the governmental funds.	380,808.83
Internal service funds are used by management to charge the costs of activities, such as medical self-insurance, to individual funds. The assets ($330,358.17) and liabilities ($162,705.93) of internal service funds are included in governmental activities in the statement of net assets.	167,652.24
Net Assets - Governmental Funds	$ 58,999,284.45

The notes to the financial statements are an integral part of this statement.

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MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

Revenue:	General Fund	Highway Fund	Jail Capital Project Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Taxes:					
General Property Taxes--Current	$ 17,213,625.68	$	$	$ 2,444,068.53	$ 19,657,694.21
General Property Taxes--Delinquent	289,425.21			53,512.83	342,938.04
Penalties and Interest	71,694.49			13,184.10	84,878.59
Telephone Tax (Outside)	174,387.64				174,387.64
Mobile Home Tax	31,669.49			3,767.92	35,437.41
Wheel Tax		2,438,545.91			2,438,545.91
911 Telephone Surcharge				1,463,149.00	1,463,149.00
Other Taxes	90,870.85			6,936.66	97,807.51
Licenses and Permits	184,453.50			43,890.00	228,343.50
Intergovernmental Revenue:					
Federal Grants	302,251.48			3,039,487.03	3,341,738.51
Federal Shared Revenue	547,846.88				547,846.88
Federal Payments in Lieu of Taxes	2,020.10			611.44	2,631.54
State Grants	87,558.25			1,920.00	89,478.25
State Shared Revenue:					
Bank Franchise	477,950.25			77,108.26	555,058.51
Motor Vehicle Licenses		3,935,561.63			3,935,561.63
Inheritance Tax	2,466,446.08				2,466,446.08
Court Appointed Attorney/ Public Defender	209,157.60				209,157.60
Prorate/Port of Entry Fees		259,235.16			259,235.16
Abused and Neglected Child Defense	7,784.94				7,784.94
85% Mobile Home		54,014.98			54,014.98
Telecommunications Tax	108,279.96				108,279.96
Other Intergovernmental Revenue	503,457.78			751,144.53	1,254,602.31
Charges for Goods and Services:					
General Government:					
Treasurer's Fees	250,616.26				250,616.26
Register of Deeds' Fees	2,213,019.45			16,012.50	2,229,031.95
Legal Services	387,582.14				387,582.14
Clerk of Courts Fees	225,723.40				225,723.40
Other Fees	165,519.32				165,519.32
Public Safety:					
Law Enforcement	1,206,362.18				1,206,362.18
Prisoner Care	1,842,380.86				1,842,380.86

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003
(continued)

	General Fund	Highway Fund	Jail Capital Project Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Public Works:					
Highways		23,593.93			23,593.93
Health and Welfare:					
Economic Assistance:					
Poor Lien Recoveries	116,191.67				116,191.67
Mental Health Services	49,662.01				49,662.01
Culture and Recreation				17,949.67	17,949.67
Fines and Forfeits:					
Fines	89,299.25			35,516.00	124,815.25
Costs	68,257.49				68,257.49
Forfeits	108,920.40				108,920.40
Miscellaneous Revenue:					
Investment Earnings	313,736.97		403,415.43	89,086.69	806,239.09
Rent	222,332.22				222,332.22
Refund of Prior Year's Expenditures	25,333.04				25,333.04
Other	159,095.22	3,780.39		569,820.75	732,696.36
Total Revenue	30,212,912.06	6,714,732.00	403,415.43	8,627,165.91	45,958,225.40
Expenditures:					
General Government:					
Legislative:					
Board of County Commissioners	339,129.30				339,129.30
Elections	55,320.32				55,320.32
Judicial System	751,847.74			31,344.17	783,191.91
Financial Administration:					
Auditor	367,559.80				367,559.80
Treasurer	793,073.57				793,073.57
Information Services	945,002.02				945,002.02
Human Resources	172,655.47				172,655.47
S.E.C.O.G.	18,874.00				18,874.00
Other				372,851.72	372,851.72
Legal Services:					
State's Attorney	1,644,465.20				1,644,465.20
Public Defender	1,177,722.49				1,177,722.49
Public Advocate	214,905.66				214,905.66
Other Administration:					
General Government Building	1,263,271.93			101,628.79	1,364,900.72
Director of Equalization	848,198.75				848,198.75

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003
(continued)

	General Fund	Highway Fund	Jail Capital Project Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Register of Deeds	578,736.89				578,736.89
Veterans' Service Officer	39,463.87				39,463.87
Predatory Animal (GFP)	4,768.64				4,768.64
Self-Insurance Plan	181,952.90				181,952.90
Public Safety:					
Law Enforcement:					
Air Guard	493,865.06				493,865.06
Sheriff	2,842,471.48			70,860.00	2,913,331.48
Humane Society	24,359.93				24,359.93
County Jail	6,390,024.49		184,858.84		6,574,883.33
Coroner	93,522.47				93,522.47
Juvenile Detention	2,075,544.05				2,075,544.05
Protective and Emergency Services:					
Fire Protection				278,780.00	278,780.00
Emergency and Disaster Services				206,684.22	206,684.22
Communication Center				2,746,852.17	2,746,852.17
Public Works:					
Highways and Bridges:					
Highways, Roads and Bridges		5,767,984.85			5,767,984.85
Health and Welfare:					
Economic Assistance:					
Support of Poor	2,739,890.35			14,748.74	2,754,639.09
Public Welfare	61,432.62				61,432.62
Other	7,000.00			58,627.50	65,627.50
Social Services:					
Domestic Abuse	5,000.00				5,000.00
Mental Health Services:					
Developmentally Disabled	61,904.00				61,904.00
Mental Health Centers	148,281.00				148,281.00
Mental Illness Board	606,180.95				606,180.95
Culture and Recreation:					
Culture:					
Public Library				595,000.00	595,000.00
Historical Museum	908,442.05			144,989.33	1,053,431.38
Memorial Day Expense	771.75				771.75
Other	70.00				70.00
Recreation:					
County Fair	62,505.00				62,505.00

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003
(continued)

	General Fund	Highway Fund	Jail Capital Project Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Conservation of Natural Resources:					
Soil Conservation:					
County Extension	147,194.86				147,194.86
Urban and Economic Development:					
Urban Development:					
Planning and Zoning	344,513.88				344,513.88
Debt Service	13,866.60	61,576.74		2,716,738.35	2,792,181.69
Capital Outlay	242,360.47	242,611.32	2,075,922.53	2,845,585.68	5,406,480.00
Total Expenditures	26,666,149.56	6,072,172.91	2,280,781.37	10,184,690.67	45,183,794.51
Other Financing Sources (Uses):					
Transfers In	525,000.00			1,064,749.00	1,589,749.00
Transfers Out	(893,162.00)	(525,000.00)		(171,587.00)	(1,589,749.00)
Insurance Proceeds (Catastrophic)	73,825.17				73,825.17
Total Other Financing Sources (Uses)	(294,336.83)	(525,000.00)	0.00	893,162.00	73,825.17
Other Changes in Fund Balance:					
Changes in Reserve for Inventory		95,480.98			95,480.98
Net Change in Fund Balances	3,252,425.67	213,040.07	(1,857,365.94)	(664,362.76)	943,737.04
Fund Balance - Beginning	4,551,857.49	5,204,467.84	10,847,603.86	6,052,733.82	26,656,663.01
FUND BALANCE - ENDING	$ 7,804,283.16	$ 5,417,507.91	$ 8,990,237.92	$ 5,388,371.06	$ 27,600,400.05

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2003

Net Change in Fund Balances - Total Governmental Funds	$ 943,737.04
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.	2,151,633.46
The loss on the disposal of capital assets reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The loss on the disposal of capital assets was $94,015.90 for the year	(94,015.90)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	813,806.86
Governmental funds report property taxes as revenue in the period for which they are levied, subject to the "available" criteria as defined in Note 1, but the statement of activities includes the property taxes as revenue in the period for which the tax is levied. This amount is the net effect of delinquent taxes collected in current period of $346,420.80 and remaining balance of current property tax levy to be collected of $217,393.33.	(129,027.47)
Compensated Absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds. The net change for compensated absences was an increase of $91,543.64.	(91,543.64)
Internal service funds are used by management to charge the costs of certain activities, such as medical self insurance . to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	(24,685.99)
Change in Net Assets of Governmental Activities	$ 3,569,904.36

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
BALANCE SHEET
PROPRIETARY FUNDS
December 31, 2003

	Internal Service Fund
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 330,358.17
TOTAL ASSETS	$ 330,358.17
LIABILITIES:	
Current Liabilities:	
Claims Payable	$ 162,705.93
NET ASSETS:	
Restricted Net Assets, Restricted for:	
Other Purposes	167,652.24
TOTAL LIABILITIES AND NET ASSETS	$ 330,358.17

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003

	Internal Service Fund
Operating Revenue:	
Charges for Goods and Services	$ 2,069,417.97
Operating Expenses:	
Other Current Expense	227,341.68
Insurance Costs	1,872,655.43
Claims Paid	4,487.55
Administration Fee	200.00
Other	
Total Operating Expenses	2,104,684.66
Operating Income (Loss)	(35,266.69)
Nonoperating Revenue (Expense):	
Investment Earnings	4,417.82
Rebate	6,162.88
Total Nonoperating Revenue (Expense)	10,580.70
Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers	(24,685.99)
Change in Net Assets	(24,685.99)
Net Assets - Beginning	192,338.23
NET ASSETS - ENDING	$ 167,652.24

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2003

	Internal Service Fund
Cash Flows from Operating Activities:	
Receipts from Customers	$ 2,195,639.74
Payments to Suppliers	(232,029.23)
Claims Paid	(1,765,141.54)
Net Cash Provided (Used) by Operating Activities	198,468.97
Cash Flows from Investing Activities:	
Rebate	6,162.88
Interest Earnings	4,417.82
Net Cash Provided by Investing Activities	10,580.70
Net Increase (Decrease) in Cash and Cash Equivalents	209,049.67
Cash and Cash Equivalents at Beginning of Year	121,308.50
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 330,358.17

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating Income (Loss)	$ (35,266.69)
Change in Assets and Liabilities:	
Receivables	126,221.77
Accounts and Other Payables	107,513.89
Net Cash Provided (Used) by Operating Activities	$ 198,468.97

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 5,186,115.93
TOTAL ASSETS	$ 5,186,115.93
LIABILITIES:	
Due to Local Governments	$ 3,503,874.22
Due to State Governments	1,677,941.71
Amounts Held for Others	4,300.00
Total Liabilities	5,186,115.93
NET ASSETS	0.00
TOTAL LIABILITIES AND NET ASSETS	$ 5,186,115.93

The notes to the financial statements are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Minnehaha County, (County) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

On June 10, 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Governmental Accounting Standards No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (No. 34). GASB No. 34 amended accounting principles generally accepted in the United States (USGAAP) by establishing a new reporting model for the annual financial reports for state and local governments, including states, cities, towns, villages, counties, school districts and special purpose governments. For the County, GASB No. 34 implementation is first required for the calendar year ending December 31, 2003. The new reporting model significantly changed the focus of the required financial statements from a focus on fund types to a focus on major funds and on government-wide information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds, and fiduciary-type component units. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special revenue funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital project funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

Proprietary Funds:

Internal service funds – internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The Self-Insurance Fund is the only internal service fund maintained by the County.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Agency funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the collection and distribution of property tax revenues and the distribution of various pass through funds.

The county reports the following major governmental funds:

General Fund - See the description above. The General Fund is always considered to be a major fund.

Special Revenue Funds:

County Road and Bridge Fund - to account for funds credited to the county road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planning, dragging, and maintaining county highways and also for dragging, maintaining and grading secondary roads. Proper equipment for dragging grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planners may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2)

Jail Capital Project Fund – to account for the financial resources to be used for the acquisition and construction of the County Jail.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting..

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary fund type.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for Minnehaha County, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2003 are amounts due from federal, state, local governments and other entity's.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Fund, so that expenses are reported only by the function to which they relate.

e. Capital Assets:

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. The County's policy is to capitalize equipment with a useful life greater than one year, and an initial acquisition cost of $5,000 and buildings and infrastructure with an initial cost of $50,000. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful file of a capital asset are also capitalized.

The total December 31, 2003 balance of governmental activities capital assets includes approximately 10 percent for which the costs were determined by estimates of the original costs.

Infrastructure assets used in general government operations that were acquired (purchased, constructed, or donated) in fiscal years ending after June 30, 1980 are required to be capitalized. These items would consist of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems and lighting systems. Infrastructure assets are recorded at cost and classified as "Improvements Other Than Buildings."

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is charged as an allocated expense against operations in the government-wide financial statements except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation. Accumulated depreciation is reported on the government-wide Statement of Net Assets. Depreciation has been provided over the estimated useful lives using the straight-line method.

The range of estimated useful lives of capital assts by asset class is as follows:

Land and land rights	Not depreciated
Improvements other than buildings	10 – 25 years
Buildings	40 – 99 years
Machinery, furniture, and equipment	3 – 25 years
Infrastructure	25 – 50 years
Utility property and improvements	10 – 50 years

Governmental activities capital assets and related depreciation expenses are only reported in the Governmental Activities columns on the government-wide financial statements. Because their measurement focus is on "current financial resources," capital assets and related

depreciation expenses are not recorded in the governmental fund-type fund financial statements. Instead, in the governmental fund-type fund financial statements, capital asset acquisitions are reported as Capital Outlay expenditures.

f. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

h. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The proprietary fund essentially has access to the entire amount of its cash resources on demand. Accordingly, the proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

I. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition , construction, or improvement of those assets.

2. Restricted net assets – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as

in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

j. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2003 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 300,000.00
Uninsured, collateral jointly held by state's/ municipality's agent in the name of the state and the pledging financial institution.	22,254,726.38
Total Deposits	$ 22,554,726.38

The carrying amount of deposits on the December 31, 2003 balance sheet was $22,157,535.22.

Reconciliation of deposits to Government-wide Statement of Net Assets:

Cash and Cash Equivalents	$ 16,995,749.29
Add: Agency Fund Cash (Not Included in Government-wide Statement of Net Assets)	5,186,115.93
Subtract: Change Fund (Not Considered a deposit)	(24,330.00)
Total Reconciled Deposits	$ 22,157,535.22

Investments - In General, SDCL 4-5-6 permits county funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value. Accordingly, changes in market value of investments at year end are reflected as a component of earnings on investments.

The investments at December 31, 2003 were as follows:

	Fair Value
Mutual Funds:	
Prime Obligation Funds	$ 9,080,627.60

3. RECEIVABLES AND PAYABLES

The County aggregated receivables and payables on the Government-wide financial statements. However, the fund financial statements provided the receivable and payable information in a non aggregated format. The County expects all receivables to be collected within one year, except for $310,000 of notes receivable from the Sioux Empire Fair Association for the construction of an ice rink. The note receivable is due to the Building Fund which is reported in aggregate on the fund financial statements under the column, Other Non-Major Governmental Funds.

4. INVENOTRY

Inventory in the special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. DEFERRED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the county.

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2003 is as follows:

	Balance 1/1/03	Increases	Decreases	Adjustment**	Balance 12/31/03
Governmental Activities:					
Capital Assets not being Depreciated:					
Land	$ 4,838,900.72	$ 849,580.17	$	$	$ 5,688,480.89
Construction in Progress	14,256,715.08	1,793,977.00	(14,256,715.08)		1,793,977.00
Total Capital Assets not being Depreciated	19,095,615.80	2,643,557.17	(14,256,715.08)	0.00	7,482,457.89
Capital Assets being Depreciated:					
Infrastructure	49,751,243.91				49,751,243.91
Buildings	32,190,203.77	16,318,885.61		(198,873.08)	48,310,216.30
Machinery and Equipment	10,554,223.96	773,468.57	(202,201.22)	(3,460,721.65)	7,664,769.66
Total Capital Assets being Depreciated	92,495,671.64	17,092,354.18	(202,201.22)	(3,659,594.73)	105,726,229.87
Less Accumulated Depreciation for:					
Infrastructure	(18,966,151.00)	(1,560,889.00)			(20,527,040.00)
Buildings	(16,346,063.56)	(1,123,931.09)			(17,469,994.65)
Machinery and Equipment	(3,215,270.10)	(642,742.72)	108,185.32		(3,749,827.50)
Total Accumulated Depreciation	(38,527,484.66)	(3,327,562.81)	108,185.32	0.00	(41,746,862.15)
Total Capital Assets being Depreciated, Net	53,968,186.98	13,764,791.37	(94,015.90)	(3,659,594.73)	63,979,367.72
Governmental Activity Assets, Net	$ 73,063,802.78	$ 16,408,348.54	$ (14,350,730.98)	$ (3,659,594.73)	$ 71,461,825.61

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 359,436.97
Public Safety	883,847.51
Public Works	1,879,529.78
Health and Welfare	1,124.56
Culture and Recreation	98,764.12
Conservation of Natural Resources	537.83
Urban and Economic Development	7,485.10
Depreciation – Unallocated	96,837.16
Total Depreciation Expense - Governmental Activities	$ 3,327,562.81

** - Adjustment due to change in capitalization policy from $250 to $5,000.

Construction Work in Progress at December 31, 2003 is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2003	Committed	Required Future Financing
Coliseum Remodeling	$ 1,872,236.16	$ 1,793,977.00	$ 0.00	$ 78,259.16

8. LONT-TERM DEBT

A summary of changes in long-term debt follows:

	Balance 1/1/03	Additions	Reductions	Balance 12/31/03	Amounts Due Within One Year
Bonds and Certificates Payable:					
Certificates of Participation	$ 39,720,000.00	$	$ (720,000.00)	$ 39,000,000.00	$ 1,830,000.00
Other Liabilities:					
Financing (Capital Acquisition) Leases	292,746.11		(93,806.86)	198,939.25	74,172.38
Compensated Absences	1,320,919.39	1,306,183.12	(1,214,639.48)	1,412,463.03	1,106,128.32
DEBT PAYABLE, DECEMBER 31, 2003	$ 41,333,665.50	$ 1,306,183.12	$ (2,028,446.34)	$ 40,611,402.28	$ 3,010,300.70

In prior years the County defeased certain Certificates of Participation by placing the proceeds of new certificates in an irrevocable trust to provide for all future debt service payments of the old certificates. Accordingly the trust account assets and the liability for the defeased certificates are not included in the County's financial statements. On December 31, 2003, the County had $5,557,570.11 on deposit with the escrow agent in this irrevocable trust to retire $15,005,000.00 of certificates still outstanding, which are now considered defeased.

Debt payable at December 31, 2003 is comprised of the following:

Certificates of Participation:	
Limited Tax General Obligation – Series 1994A, 4.20 to 5.80 Percent Interest, Final Maturity Date of December 2004, Retired by the Building Fund (Special Revenue Fund)	$ 410,000.00
Limited Tax General Obligation – Series 1994B, 4.20 to 5.80 Percent Interest, Final Maturity Date of December 2004, Retired by the Building Fund (Special Revenue Fund)	$ 250,000.00
Limited Tax General Obligation – Series 1995, 2.75 to 6.00 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 335,000.00
Limited Tax General Obligation – Series 1997A, 4.10 to 5.45 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 3,250,000.00
Limited Tax General Obligation – Series 1997B, 4.10 to 5.45 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 3,200,000.00
Limited Tax General Obligation – Series 1999, 3.90 to 4.50 Percent Interest, Final Maturity Date of December 2012, Retired by the Building Fund (Special Revenue Fund)	$ 8,555,000.00

Limited Tax General Obligation – Series 2000, 4.4 to 5.0 Percent Interest, Final Maturity Date of December 2015, Retired by the Building Fund (Special Revenue Fund)	$ 10,000,000.00
Limited Tax General Obligation – Series 2001, 4.4 to 5.0 Percent Interest, Final Maturity Date of November 2020, Retired by the Building Fund (Special Revenue Fund)	$ 13,000,000.00

Of the 1994A and 1994B issues, approximately $2,500,000 was for construction and remodeling of juvenile detention facilities. As disclosed in Note 10, annual rental payments received from the participating counties will be designated for debt service by Minnehaha County.

Compensated Absences:	
Vacation Leave	$ 805,812.22
Sick Leave	$ 606,650.81
Payment to be made by the fund that the payroll expenditures are charged to.	
Financing (Capital Acquisition) Leases:	
1994 Installment Sales Contract with Northern States Power Company, 6.40 Percent Interest, Final Maturity Date of February 2005, Retired by the General Fund	$ 15,547.35
2002 Capital Lease with John Deere for Two Motor Graders, 4.50 Percent Interest, Final Maturity Date of October 2007, Retired by the County Road and Bridge Fund	$ 183,391.90

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	$ 384,224.30
Interest	62,325.40
TOTAL	$ 446,549.70

The principal amount, above, was included in the appropriate classification of capital assets, and is being depreciated over the shorter of the estimated useful-life of the asset, or the lease term (where title never transfers), as appropriate.

The annual requirements to amortize all debt outstanding as of December 31, 2003, except for compensated absences but including interest payments of $19,070,790.19, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2003

Year Ending Dec. 31,	Certificates of Participation		Financing (Capital Acquisition) Leases		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 1,830,000.00	$ 1,956,931.50	$ 74,172.38	$ 1,270.96	$ 1,904,172.38	$ 1,958,202.46
2005	1,980,000.00	1,870,760.50	63,418.17	469.67	2,043,418.17	1,871,230.17
2006	1,970,000.00	1,783,538.00	61,346.70	230.04	2,031,346.70	1,783,768.04
2007	2,005,000.00	1,696,482.00	2.00		2,005,002.00	1,696,482.00
2008	2,195,000.00	1,607,234.50			2,195,000.00	1,607,234.50
2009-2013	12,855,000.00	6,333,733.00			12,855,000.00	6,333,733.00
2014-2018	10,630,000.00	3,345,671.26			10,630,000.00	3,345,671.26
2019-2023	5,535,000.00	474,468.76			5,535,000.00	474,468.76
Totals	$ 39,000,000.00	$ 19,068,819.52	$ 198,939.25	$ 1,970.67	$ 39,198,939.25	$ 19,070,790.19

9. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2003, there were four series of conduit bonds outstanding, with an aggregate unpaid principal amount of $13,984,231.32.

10. OPERATING LEASES

Minnehaha County entered into an operating lease agreement on April 1, 1995, with thirteen counties to provide them access to Minnehaha County's juvenile detention facilities. This contract is to remain in effect for twenty years (until March 31, 2015). The payments will be the same throughout the term of the lease agreement and are due each June 1st and December 1st.

The counties and their annual rental payments to Minnehaha County will be as follows:

Bon Homme	$ 4,332.12
Brookings	22,726.18
Charles Mix	6,370.16
Clay	9,680.67
Hanson	2,294.08
Hutchinson	5,604.60
Lake	7,642.64
Lincoln	14,012.80
McCook	3,822.61
Miner	2,038.04
Moody	5,604.60
Turner	4,841.63
Yankton	14,775.77
	$ 103,745.90

There are additional daily charges to the participating counties for expenses related to housing juveniles in the detention facilities.

11. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2003, 2002, and 2001 were $1,095,856.21, $927,270.05 and $811,593.53, respectively, equal to the required contributions each year.

12. SIGNIFICANT CONTINGENCIES – LITIGATION

At December 31, 2003, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

13. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2003, the County managed its risks as follows:

Employee Health Insurance:

The county is self-insured for employee health insurance.

Minnehaha County purchases catastrophic coverage for employee's health insurance to minimize their exposure to risks of loss to the self-insurance program. The county purchases two types of insurance. The first is aggregate excess liability insurance. This insurance will pay 100% of all claims in excess of a pre-determined dollar amount for a claim year. The insurance company applying a formula based upon previous years' annual claims and self-insurance group size determines the dollar amount of aggregate claims. In 2003 the minimum aggregate amount was $2,029,788.00. The insurance company would pay 100% of all program eligible claim expenses in excess of that amount for 2003. The other form of insurance carried by the county on the self-insurance program covers individual cases. In 2003 the insurance company set a $100,000 yearly deductible level on individual cases. Any individual's eligible claim expenses exceeding $100,000 that are to be paid by the self-insurance program will be paid 100% by the insurance company.

The insurance company also sets a $1,000,000 maximum lifetime coverage amount on individuals. Based on the 2003 insurance agreement and a review of the 2002 and 2001 insurance agreements, the county's self-insurance program has not had any significant reductions in insurance coverage from previous years to the current year. In 2000 the self-insurance program's total yearly claims exceeded this minimum aggregate deductible amount set by the insurance company, but it did not exceed the minimum in 2001, 2002 or 2003. Minnehaha County increased the aggregate deductible in 2001 to reduce insurance cost. In 2003 the self-insurance program's total yearly claim expenses did not exceed the minimum aggregate deductible of $2,029,788.00 established by the insurance company. In 2001 the program had three individuals with claim expenses that exceed the individual claim level amount. In 2002 the program had three individuals with claim expenses that exceeded the individual claim level amount. In 2003 the program had two individuals with claim expenses that exceeded the individual claim level amount.

The county has reserved equity in the Self-Insurance Fund in the amount of $167,652.24 for the payment of future claims.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The County pays an annual premium to the pool to provide coverage for:

a. General Liability
b. Automobile Liability
c. Officials Liability
d. Law Enforcement Liability

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a $2,000,000.00 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. The County carries a $5,000.00 deductible for the general liability, officials liability and law enforcement liability coverage and $0.00 deductible for the automotive liability coverage.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

Worker's Compensation:

The County joined the South Dakota Municipal League Worker's Compensation Fund, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The County pays an annual premium to the pool to provide worker's compensation coverage for its employees. Coverage limits are set by state statute. The pool pays the first $325,000 of any claim per individual. The pool has reinsurance which covers up to an additional $1,675,000 per individual per incident.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Unemployment Benefits:

The County has elected to be self-insured and retain all risks for liabilities resulting from claims for unemployment benefits.

During the year ended December 31, 2003, six claims were filed for unemployment benefits. These claims resulted in the payment of benefits in the amount of $16,214.69. At December 31, 2003, four claims had been filed and were outstanding. It is estimated, based upon historical trends, that these claims will result in the future payment of unemployment benefits in the amount of approximately $618.38. It is not anticipated that any additional claims for unemployment benefits will be filed in the next year.

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues				
Taxes:				
General Property Taxes--Current	$ 17,427,110.00	$ 17,427,110.00	$ 17,213,625.68	$ (213,484.32)
General Property Taxes--Delinquent	145,000.00	145,000.00	289,425.21	144,425.21
Penalties and Interest	20,000.00	20,000.00	71,894.49	51,894.49
Telephone Tax (Outside)	130,000.00	130,000.00	174,387.64	44,387.64
Mobile Home Tax	40,000.00	40,000.00	31,669.49	(8,330.51)
Other Taxes	25,000.00	25,000.00	90,870.85	65,870.85
Licenses and Permits	158,000.00	158,000.00	184,453.50	26,453.50
Intergovernmental Revenue:				
Federal Grants	190,000.00	190,000.00	302,251.48	112,251.48
Federal Shared Revenue	533,750.00	533,750.00	547,846.88	14,096.88
Federal Payments In Lieu of Taxes	1,300.00	1,300.00	2,020.10	720.10
State Grants	5,000.00	5,000.00	87,558.25	82,558.25
State Shared Revenue:				
Bank Franchise	500,000.00	500,000.00	477,950.25	(22,049.75)
Inheritance Tax	0.00	0.00	2,466,446.08	2,466,446.08
Court Appointed Attorney/ Public Defender	200,000.00	200,000.00	209,157.60	9,157.60
Abused and Neglected Child Defense	0.00	0.00	7,784.94	7,784.94
Telecommunications Tax	0.00	0.00	108,279.96	108,279.96
Other Intergovernmental Revenue	500,000.00	500,000.00	503,457.78	3,457.78
Charges for Goods and Services:				
General Government:				
Treasurer's Fees	209,800.00	209,800.00	250,616.26	40,816.26
Register of Deeds' Fees	1,175,000.00	1,175,000.00	2,213,019.45	1,038,019.45
Legal Services	315,000.00	315,000.00	387,582.14	72,582.14
Clerk of Courts Fees	200,000.00	200,000.00	225,723.40	25,723.40
Other Fees	711,200.00	711,200.00	165,519.32	(545,680.68)
Public Safety:				
Law Enforcement	1,169,500.00	1,169,500.00	1,206,362.18	36,862.18
Prisoner Care	2,112,000.00	2,112,000.00	1,842,380.86	(269,619.14)
Health and Welfare:				
Economic Assistance:				
Poor Lien Recoveries	150,000.00	150,000.00	116,191.67	(33,808.33)
Mental Health Services	55,000.00	55,000.00	49,662.01	(5,337.99)
Fines and Forfeits:				
Fines	78,000.00	78,000.00	89,299.25	11,299.25
Costs	12,000.00	12,000.00	68,257.49	56,257.49
Forfeits	60,000.00	60,000.00	108,920.40	48,920.40
Miscellaneous Revenue:				
Investment Earnings	400,000.00	400,000.00	313,736.97	(86,263.03)
Rent	181,500.00	181,500.00	222,332.22	40,832.22
Refund of Prior Year's Expenditures	5,000.00	5,000.00	25,333.04	20,333.04
Other	147,750.00	147,750.00	159,095.22	11,345.22
Total Revenue	26,856,910.00	26,856,910.00	30,212,912.06	3,356,002.06
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	335,814.00	339,814.00	339,129.30	684.70
Contingency	32,140.00	32,140.00		15,539.00
(Amount Transferred)		(16,601.00)		
Elections	63,313.00	63,313.00	55,320.32	7,992.68
Judicial System	779,500.00	785,845.00	751,847.74	33,997.26
Financial Administration:				
Auditor	397,414.00	397,414.00	367,559.80	29,854.20
Treasurer	770,800.00	828,724.90	793,073.57	33,651.33
Information Services	1,111,958.00	1,111,958.00	945,002.02	166,955.98
Human Resources	167,334.00	179,434.85	172,655.47	6,779.38
SECOG	18,874.00	18,874.00	18,874.00	0.00
Legal Services:				
State's Attorney	1,694,684.00	1,696,104.38	1,644,465.20	51,639.18
Public Defender	1,143,565.00	1,162,286.20	1,177,722.49	(15,436.29)
Public Advocate	219,396.00	222,497.00	214,905.66	7,591.34
Other Administration:				

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2003
(continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Government Building	1,466,473.40	1,466,473.40	1,263,271.93	203,201.47
Director of Equalization	855,815.00	857,823.15	848,198.75	9,624.40
Register of Deeds	549,324.00	599,561.06	578,736.89	20,824.17
Veterans' Service Officer	40,007.00	40,007.00	39,463.87	543.13
Predatory Animal (GFP)	4,769.00	4,769.00	4,768.64	0.36
County Insurance	225,500.00	225,500.00	181,952.90	43,547.10
Public Safety:				
Law Enforcement:				
Air Guard	521,824.00	521,824.00	493,865.06	27,758.94
Sheriff	2,877,387.00	3,108,269.27	2,842,471.48	265,797.79
County Jail	6,482,268.00	6,565,945.95	6,390,024.49	175,921.46
Coroner	75,000.00	115,000.00	93,522.47	21,477.53
Juvenile Detention	2,318,486.00	2,318,817.93	2,075,544.05	243,273.88
Humane Society	28,500.00	28,500.00	24,359.93	4,140.07
Health and Welfare:				
Economic Assistance:				
Human Services	2,426,374.00	2,791,590.86	2,739,890.35	51,700.51
Rep Payee	78,718.00	78,718.00	61,432.62	17,285.38
Food Service Center	7,000.00	7,000.00	7,000.00	0.00
Social Services:				
Rape and Domestic Abuse Center	5,000.00	5,000.00	5,000.00	0.00
Mental Health Services:				
Dakotabilities	15,476.00	15,476.00	15,476.00	0.00
Sioux Vocational Services	46,428.00	46,428.00	46,428.00	0.00
Mental Health Centers	148,281.00	148,281.00	148,281.00	0.00
Mental Illness Board	554,950.00	606,450.00	606,180.95	269.05
Culture and Recreation:				
Culture:				
Historical Museum	959,395.00	965,895.00	908,442.05	57,452.95
Memorial Day Expense	1,200.00	1,200.00	771.75	428.25
County Cemetery	500.00	500.00	70.00	430.00
Recreation:				
County Fair	0.00	62,505.00	62,505.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	138,107.00	151,770.78	147,194.86	4,575.92
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	354,938.00	354,938.00	344,513.88	10,424.12
Debt Service	13,866.60	13,866.60	13,866.60	0.00
Capital Outlay	0.00	0.00	242,360.47	(242,360.47)
Total Expenditures	26,929,961.00	27,921,714.33	26,666,149.56	1,255,564.77
Excess of Revenue Over (Under) Expenditures	(73,071.00)	(1,064,804.33)	3,546,762.50	4,611,566.83
Other Financing Sources (Uses):				
Operating Transfers In	0.00	0.00	525,000.00	525,000.00
Operating Transfers Out	(493,162.00)	(493,162.00)	(893,162.00)	(400,000.00)
Insurance Proceeds (Catastrophic)	150,000.00	150,000.00	73,825.17	(76,174.83)
Total Other Financing Sources (Uses)	(343,162.00)	(343,162.00)	(294,336.83)	48,825.17
Net Change in Fund Balances	(416,233.00)	(1,407,966.33)	3,252,425.67	4,660,392.00
Fund Balance - Beginning	4,551,857.49	4,551,857.49	4,551,857.49	0.00
FUND BALANCE - ENDING	$ 4,135,624.49	$ 3,143,891.16	$ 7,804,283.16	$ 4,660,392.00

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - COUNTY ROAD AND BRIDGE FUND
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenue:				
Taxes:				
Wheel Tax	$ 2,350,000.00	$ 2,350,000.00	$ 2,438,545.91	$ 88,545.91
Intergovernmental Revenue:				
State Shared Revenue:				
Motor Vehicle Licenses	3,620,000.00	3,620,000.00	3,935,561.63	315,561.63
Prorate/Port of Entry Fees	250,000.00	250,000.00	259,235.16	9,235.16
Mobile Home	50,000.00	50,000.00	54,014.98	4,014.98
Charges for Goods and Services:				
Public Works:				
Highways	42,000.00	42,000.00	23,593.93	(18,406.07)
Miscellaneous Revenue:				
Other	10,000.00	10,000.00	3,780.39	(6,219.61)
Total Revenue	6,322,000.00	6,322,000.00	6,714,732.00	392,732.00
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	7,456,829.26	8,167,071.26	6,010,596.17	2,156,475.09
Debt Service	61,576.74	61,576.74	61,576.74	0.00
Total Expenditures	7,518,406.00	8,228,648.00	6,072,172.91	2,156,475.09
Excess of Revenue Over (Under) Expenditures	(1,196,406.00)	(1,906,648.00)	642,559.09	2,549,207.09
Other Financing Sources (Uses):				
Operating Transfers Out	0.00	0.00	(525,000.00)	(525,000.00)
Other Changes in Fund Balance:				
Changes in Reserve for Inventory	0.00	0.00	95,480.98	95,480.98
Net Change in Fund Balances	(1,196,406.00)	(1,906,648.00)	213,040.07	2,119,688.07
Fund Balance - Beginning	5,204,467.84	5,204,467.84	5,204,467.84	0.00
FUND BALANCE - ENDING	$ 4,008,061.84	$ 3,297,819.84	$ 5,417,507.91	$ 2,119,688.07

MINNEHAHA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.

4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.

5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds and capital projects funds.

10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

MINNEHAHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2003

	E911 Fund	Fire Fund	Law Library Fund	Pass Thru Grants Fund	Law Enforcement Equipment Fund	Museum Store Fund	Museum Enterprise Fund	Courthouse Art Fund
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$ 1,320,040.11	$ 142,668.51	$ 5,869.12	$	$ 114,526.49	$ 30,267.24	$ 117,461.88	$ 28,943.35
Taxes Receivable--Delinquent		7,123.98						
Notes Receivable								
Due from Federal Government	618,816.47							
Due from State Government								
Due from Others	348,519.39		1,286.00			95.38		
TOTAL ASSETS	$ 2,287,374.97	$ 149,792.49	$ 7,155.12	$ 0.00	$ 114,526.49	$ 30,362.62	$ 117,461.88	$ 28,943.35
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Claims Payable	$ 472,928.80	$	$ 1,582.70	$	$ 7,565.00	$ 1,366.95	$ 719.41	$
Payroll Withholding Payable	220.40							
Deferred Revenue		7,123.98						
Total Liabilities	473,149.20	7,123.98	1,582.70	0.00	7,565.00	1,366.95	719.41	0.00
Fund Balances:								
Reserved For:								
Debt Service								
Law Library			5,572.42					
Unreserved Fund Balances:								
Designated for Next Year's Appropriation:								
Special Revenue Funds		(1,366.00)						
Capital Project Funds								
Undesignated, Reported in Nonmajor:								
Special Revenue Funds	1,814,225.77	144,014.51			106,961.49	28,995.67	116,742.47	28,943.35
Total Fund Balances	1,814,225.77	142,668.51	5,572.42	0.00	106,961.49	28,995.67	116,742.47	28,943.35
TOTAL LIABILITIES AND FUND BALANCES	$ 2,287,374.97	$ 149,792.49	$ 7,155.12	$ 0.00	$ 114,526.49	$ 30,362.62	$ 117,461.88	$ 28,943.35

MINNEHAHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2003
(continued)

	Library Fund	Museum Grants Fund	Emergency Management Fund	FEMA Fund	Domestic Abuse Fund	Building Fund	Coliseum Capital Project Fund	Total Nonmajor Governmental Funds
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$ 139,184.53	$ 23,878.18	$ 51,391.75	$ (466.00)	$ 9,482.50	$ 2,436,125.92	$ 4,772.00	$ 4,424,128.58
Taxes Receivable--Delinquent	14,338.24					39,706.49		61,168.71
Notes Receivable						335,000.00		335,000.00
Due from Federal Government			45,590.60			17,229.93		681,636.00
Due from State Government							73,487.16	73,487.16
Due from Others			5,600.00	466.00	2,765.00			361,720.77
TOTAL ASSETS	$ 153,522.77	$ 23,878.18	$ 102,582.35	$ 0.00	$ 12,237.50	$ 2,828,062.34	$ 78,259.16	$ 5,937,139.22
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Claims Payable	$	$	$ 3,226.19	$	$	$	$	$ 487,379.05
Payroll Withholding Payable	14,338.24							220.40
Deferred Revenue						39,706.49		61,168.71
Total Liabilities	14,338.24	0.00	3,226.19	0.00	0.00	39,706.49	0.00	548,768.16
Fund Balances:								
Reserved For:								
Debt Service								
Law Library						2,788,355.85		2,788,355.85
Unreserved Fund Balances:								5,572.42
Designated for Next Year's Appropriation:								
Special Revenue Funds	3,442.00							2,088.00
Capital Project Funds								
Undesignated, Reported in Nonmajor:								78,259.16
Special Revenue Funds	135,742.53	23,878.18	102,356.16		12,237.50		78,259.16	2,514,097.63
Total Fund Balances	139,184.53	23,878.18	102,356.16	0.00	12,237.50	2,788,355.85	78,259.16	5,388,371.06
TOTAL LIABILITIES AND FUND BALANCES	$ 153,522.77	$ 23,878.18	$ 105,582.35	$ 0.00	$ 12,237.50	$ 2,828,062.34	$ 78,259.16	$ 5,937,139.22

MINNEHAHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003

	E911 Fund	Fire Fund	Law Library Fund	Pass Thru Grants Fund	Law Enforcement Equipment Fund	Museum Store Fund	Museum Enterprise Fund	Courthouse Art Fund
Revenue:								
Taxes:								
General Property Taxes--Current	$	$ 275,834.06	$	$	$	$	$	$
General Property Taxes--Delinquent		3,764.85						
Penalties and Interest		875.19						
Mobile Home Tax		299.74						
911 Telephone Surcharge	1,483,149.00							
Other Taxes		3.35						
Licenses and Permits								
Intergovernmental Revenue:								
Federal Grants	699,230.80							
Federal Payments in Lieu of Taxes		132.06		372,861.72	53,694.00			
State Grants								
State Shared Revenue:								
Bank Franchise		9,201.23						
Other Intergovernmental Revenue	841,825.00							
Charges for Goods and Services:								
General Government:								
Register of Deeds' Fees								
Culture and Recreation								
Fines and Forfeits:								
Fines						17,849.67		
Miscellaneous Revenue:			36,516.00					
Investment Earnings	11,823.02	2,113.84			1,654.81	467.36	1,344.23	345.92
Other	431,270.32				7,149.92		101,478.83	5,775.00
Total Revenue	3,257,308.14	291,894.34	36,516.00	372,861.72	62,698.65	18,317.03	102,823.06	6,120.92
Expenditures:								
General Government:								
Judicial System			31,344.17					
Financial Administration:								
Other								
Other Administration:				372,861.72				
General Government Building								
Public Safety:								
Law Enforcement:								
Sheriff								
County Jail					70,990.00			
County-Wide Law Enforcement								
Protective and Emergency Services:								
Fire Protection		276,790.00						
Emergency and Disaster Services								
Communication Center	2,746,862.17							
Health and Welfare:								
Economic Assistance:								
Support of Poor								
Other								
Culture and Recreation:								
Culture:								
Public Library								
Historical Museum								
Debt Service						15,840.00	115,967.97	
Capital Outlay	201,983.24				45,347.97			
Total Expenditures	2,948,845.41	276,790.00	31,344.17	372,861.72	116,337.97	15,840.00	115,967.97	0.00
Other Financing Sources (Uses):								
Transfers In	749,126.00							
Transfers Out								
Total Other Financing Sources (Uses)	749,126.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Change in Fund Balances	1,057,588.73	15,104.34	4,171.83	0.00	(53,639.32)	2,477.03	(13,147.22)	6,120.92
Fund Balance - Beginning	760,343.04	129,864.17	1,490.59	0.00	163,523.93	28,478.44	128,891.69	22,779.43
FUND BALANCE - ENDING	$ 1,814,228.77	$ 142,968.51	$ 5,673.42	$ 0.00	$ 109,881.49	$ 28,955.47	$ 115,743.47	$ 28,843.35

MINNEHAHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2003
(continued)

	Library Fund	Museum Grants Fund	Emergency Management Fund	FEMA Fund	Domestic Abuse Fund	Building Fund	Coliseum Capital Project Fund	Total Nonmajor Governmental Funds
Revenue:								
Taxes:								
General Property Taxes--Current	$ 572,456.55	$	$	$	$	$ 1,596,077.77	$	$ 2,444,048.53
General Property Taxes--Delinquent	7,303.98					41,824.00		53,512.83
Penalties and Interest	1,815.84					10,492.07		13,154.10
Mobile Home Tax	504.36					3,023.82		3,787.82
911 Telephone Surcharge								1,465,148.00
Other Taxes	7.40					6,826.81		6,834.96
Licenses and Permits					43,890.00			43,890.00
Intergovernmental Revenue:								
Federal Grants			190,961.42	14,700.00		17,229.83	1,700,649.16	3,038,467.03
Federal Payments in Lieu of Taxes	292.11					187.27		911.44
State Grants		720.00	1,200.00					1,920.00
State Shared Revenue:								
Bank Franchise	23,899.27							77,106.28
Other Intergovernmental Revenue						44,310.76		751,164.53
Charges for Goods and Services:						100,319.53		
General Government:								
Register of Deeds' Fees								16,012.50
Culture and Recreation					16,012.50			17,948.67
Fines and Forfeits:								
Fines								36,516.00
Miscellaneous Revenue:								
Investment Earnings	1,885.82			48.74		99,414.95		99,068.99
Other	99.79	5,050.00	270.00			18,772.29		549,820.76
Total Revenue	606,423.26	5,770.00	192,431.42	14,748.74	59,902.50	1,917,679.31	1,700,649.16	8,647,199.91
Expenditures:								
General Government:								
Judicial System								31,344.17
Financial Administration:								
Other								372,991.72
Other Administration:								
General Government Building						101,628.78		101,628.78
Public Safety:								
Law Enforcement:								
Sheriff								70,000.00
County Jail								0.00
County-Wide Law Enforcement								0.00
Protective and Emergency Services:								
Fire Protection								278,780.00
Emergency and Disaster Services			206,684.22					206,684.22
Communication Center								2,746,892.17
Health and Welfare:								
Economic Assistance:								
Support of Poor								
Other				14,748.74				14,748.74
Culture and Recreation:					56,827.50			56,827.50
Culture:								
Public Library	595,000.00							595,000.00
Historical Museum		13,361.34						144,868.32
Debt Service						2,716,738.35		2,716,738.35
Capital Outlay			21,806.00			779,747.47	1,789,677.00	2,845,685.64
Total Expenditures	595,000.00	13,361.34	228,490.22	14,748.74	56,827.50	3,598,106.61	1,789,677.00	10,184,690.67
Other Financing Sources (Uses):								
Transfers In	80,000.00		98,057.00				171,647.00	1,064,748.00
Transfers Out						(171,647.00)		(171,647.00)
Total Other Financing Sources (Uses)	80,000.00	0.00	98,057.00	0.00	0.00	(171,647.00)	171,647.00	893,101.00
Net Change in Fund Balances	91,423.26	(7,611.34)	61,979.20	0.00	1,275.00	(1,852,016.40)	78,259.16	(664,392.76)
Fund Balance - Beginning	78,761.27	31,189.54	40,379.96	0.00	10,962.50	4,640,374.25		5,082,733.52
FUND BALANCE - ENDING	$ 150,184.53	$ 23,578.19	$ 102,356.19	$ 0.00	$ 12,237.50	$ 2,788,355.85	$ 78,259.16	$ 5,368,371.06

MINNEHAHA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2003

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2003 Expenditures
Department of Agriculture:			
Indirect Federal Funding:			
S.D.S.U. Cooperative Extension Service			
Postage	10.500	N/A	$ 5,941.28
Department of Housing and Urban Development:			
Indirect Federal Funding:			
SD Governor's Office of Economic Development,			
Community Development Block Grant (Note 3 & 4)	14.228	9902-103	189,321.60
Community Development Block Grant (Note 3)	14.228	9902-114	266,415.33
Total Department of Housing and Urban Development			455,736.93
Department of Justice:			
Direct Federal Funding:			
Bureau of Justice Assistance,			
State Criminal Alien Assistance Program	16.572	2003APBX0272	17,475.00
Local Law Enforcement Block Grants Program	16.592	2001LBBX2844	67,491.23
Local Law Enforcement Block Grants Program	16.592	2002LBBX2557	25,602.04
Office of Community Oriented Policing Services,			
COPS Technology Grant	16.710	2000CKWX0204	2,624.01
COPS Universal Hiring Award	16.710	2002UMWX0246	19,445.33
Indirect Federal Funding:			
S.D. Department of Corrections,			
Juvenile Accountability Incentive Block Grant	16.523	2001JBVX0046	271,882.37
(Note 4)	16.523	2002JBVX0046	17,372.02
S.D. Office of Attorney General--Division of Criminal Investigation,			
COPS School Safety Award-- Internet Crimes Against Children	16.718	2002CKWX0172	26,535.00
S.D. Department of Public Safety--Highway Safety			
Juvenile Justice and Delinquency Prevention,			
Enforcing Underage Drinking Laws Block Grant	16.727	2001AH0046	1,773.36
Total Department of Justice			450,200.36
Department of Transportation:			
Indirect Federal Funding:			
S.D. Department of Public Safety--Highway Safety			
Unified Planning Work Program,			
Federal Highway	20.205	310819	19,025.41
General Services Administration:			
Indirect Federal Funding:			
S.D. Federal Property Agency,			
Donation of Federal Surplus Personal Property (Note 5)	39.003	N/A	1,033.68
National Foundation on the Arts and Humanities:			
Indirect Federal Funding:			
S.D. Department of Tourism and State Development--Arts Council,			
Almost Forgotten Crafts of Early Dakota	45.025	N/A	720.00
U. S. Department of Education:			
Indirect Federal Funding:			
S.D. Department of Human Services,			
After School Care Program (Note 4)	84.186	4194607040-03	53,656.31
Department of Health and Human Services:			
Indirect Federal Funding:			
S.D. Department of Social Services,			

Projects for Assistance in Transition for Homelessness (PATH)	93.150	N/A	15,191.22
Department of Homeland Security:			
Indirect Federal Funding:			
SD Department of Public Safety--Emergency Management,			
State Domestic Preparedness Equipment Support Program	97.004	N/A	222,248.34
Hazardous Materials Training Program	97.020	N/A	2,000.00
Emergency Management Performance Grant	97.042	N/A	59,704.08
Pre-Disaster Mitigation (PDM) Competitive Grants	97.047	N/A	9,192.41
State and Local All Hazards Emergency Operations Planning (LEOP)	97.051	N/A	10,089.48
Citizens Corps	97.053	N/A	11,710.81
Community Emergency Response Team (CERT)	97.054	N/A	46,139.37
United Way of America,			
Emergency Food and Shelter National Board Program	97.024	N/A	15,000.00
Total Department of Homeland Security			376,082.49
Other Federal Assistance:			
Department of Interior:			
Direct Federal Funding:			
US Fish and Wildlife Service,			
Refuge Revenue Sharing Act (Note 2)	15.999	N/A	10,272.00
Department of Justice:			
Direct Federal Funding:			
Federal Forfeited Property - Drug Seizure Cost Sharing	16.999	02DEA400429	5,830.54
Office of National Drug Control Policy:			
Indirect Federal Funding:			
S.D. Attorney General's Office,			
High Intensity Drug Traffic Area (HIDTA)		N/A	67,347.11
Total Other Federal Assistance			83,449.65
GRAND TOTAL			$ 1,461,037.33

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant - Southeast Technical Institute	14.228	$ 189,321.60
Juvenile Accountability Incentive Block Grant - Turning Point Outreach Center, Glory House, Sioux Falls Police Department and Sioux Falls School District	16.523	186,980.25
After School Care Program - Sioux Falls School District	84.186	53,656.31
Total		$ 429,958.16

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

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MINNEHAHA COUNTY

AUDIT REPORT

For the Year Ended December 31, 2004

MINNEHAHA COUNTY
COUNTY OFFICIALS
December 31, 2004

Board of Commissioners:

James Zweep, Chairman
Anne Hajek
Robert Kolbe
John Pekas
Carol Twedt

Auditor:

Sue Roust

Treasurer:

Pam Nelson

State's Attorney:

David R. Nelson

Register of Deeds:

Julie Risty

Sheriff:

Mike Milstead

MINNEHAHA COUNTY
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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Commission
Minnehaha County
Minnehaha County, South Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Minnehaha County, South Dakota (County), as of December 31, 2004, and for the year then ended which collectively comprise the County's basic financial statements and have issued our report thereon dated June 7, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current audit findings and questioned costs as item 2004-01. We also noted certain additional matters that we have reported to the management of the County in a separate communication dated June 7, 2005.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we have reported to the management of the County in a separate communication dated June 7, 2005.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by OMB Circular A-133 §__.320(a) and by South Dakota Codified Law 4-11-11 this report is matter of public record and its distribution is not limited.

Martin L. Guindon, CPA
Auditor General

June 7, 2005

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MARTIN L. GUINDON, CPA
AUDITOR GENERAL

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Commission
Minnehaha County
Minnehaha County, South Dakota

Compliance

We have audited the compliance of Minnehaha County, South Dakota (County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of current audit findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non- Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

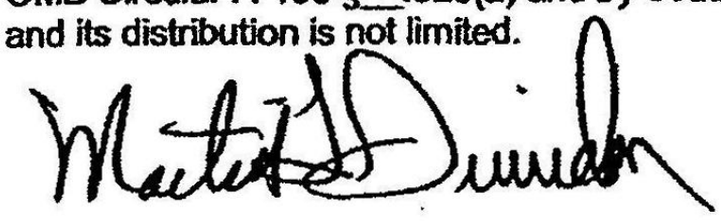
Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level

the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, the governing board and management of Minnehaha County and is not intended to be and should not be used by anyone other than these specified parties. However, as required by OMB Circular A-133 §__.320(a) and by South Dakota Codified Law 4-11-11 this report is matter of public record and its distribution is not limited.



Martin L. Guindon, CPA
Auditor General

June 7, 2005

MINNEHAHA COUNTY
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Prior Federal Audit Findings:

The prior audit report contained no federal audit findings.

Prior Other Audit Finding:

Finding No. 2003-01:

The county failed to remit to the State of South Dakota—State Treasurer unclaimed property, in the form of outstanding checks in the amount of $35,850.69, in violation of South Dakota Codified Laws (SDCL) Chapter 43-41B. Corrective action has been taken, therefore this finding is no longer applicable.

SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

Summary of the Independent Auditor's Results:

a. An unqualified opinion was issued on the financial statements.

b. No material weaknesses were disclosed by our audit of the financial statements and the major federal programs.

c. Our audit did not disclose any noncompliance which was material to the financial statements.

d. An unqualified opinion was issued on compliance with the requirements applicable to major programs.

e. Our audit did not disclose any audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a).

f. The federal awards tested as major programs were:

1. Public Safety Partnership and Community Policing Grant CFDA #16.710
2. Juvenile Accountability Incentive Block Grant CFDA #16.523
3. State Domestic Preparedness Equipment Support Program CFDA #97.004

g. The dollar threshold used to distinguish between Type A and Type B federal award programs was $300,000.

h. Minnehaha County did qualify as a low-risk entity.

Current Federal Audit Findings:

There are no written current federal compliance audit findings to report.

Current Other Audit Finding:

Internal Accounting Control of the Inmate Accounts

Finding No. 2004-01:

Deficiencies were noted in internal accounting control and record keeping of the inmate accounts at the county jail resulting in a diminished assurance that transactions were properly executed and recorded and that assets were properly safeguarded.

Analysis:

The following deficiencies in internal accounting control and record keeping were noted:

a. The monthly reconciliation of the bank balance to the corresponding control account was not performed. The checking account was not reconciled as of December 31, 2004. The most current reconciliation completed is as of November 30, 2004. However, the November 30, 2004 reconciliation showed cleared checks totaling $3,308.38 for which there was no documentation. The check number and amount was obtained from the bank statement, not from the accounting records.

b. Duplicate copies of the checks were not maintained in all instances.

c. Prenumbered checks are not issued in sequential order. Many are manually written as the printer default parameters have not been set in the accounting software system to allow for a legible computer generated check.

d. The current county jail check writing policy requires dual signatures on each check. There are 24 authorized signatories on this account for the first signature. Any Minnehaha County Sheriff employee can be the second signatory.

e. The current accounting software system's cash balances are not correct as computer system updates created duplicate entries in some instances.

f. The current accounting software system does not have the capability to produce month end reports through the accounting system.

g. The current accounting software system does not produce a record of file maintenance documenting the changes and corrections to the accounting system's balances.

h. Current accounting system control procedures are not properly established, which allows the circumvention of system password and security access controls.

Internal accounting control deficiencies diminish reasonable assurances that transactions are properly executed and recorded and that assets are properly safeguarded.

RECOMMENDATIONS:

1. We recommend a monthly reconciliation of bank balances to corresponding control account be made.

2. We recommend that the duplicate copy of the checks be maintained.

3. We recommend that checks be issued in sequential order.

4. We recommend that checking account access be restricted to fewer individuals.

5. We recommend that the control account cash balances on the current accounting software system be corrected.

6. We recommend that the current accounting system be modified to allow for the preparation of month end cash, receipt and disbursement reports.

7. We recommend that the current accounting system be modified to allow for the preparation of a record of file maintenance detailing all corrections and changes to the accounting system that would not occur through normal receipt and disbursement procedures.

8. We recommend that the department develop a system of controls to ensure that the system password and security access controls cannot be circumvented.

Auditee's Corrective Action Plan:

a. New World is currently working on a thorough computerized bank reconciliation which is scheduled to be completed in July 2005. Documentation has been obtained and provided for the checks in which there was not copies readily available at the time of the audit. County IT and our legal office assistant are currently creating an excel document that will contain the check number, date and amount of check each month for current use for transaction reconciliation which will be used until New World's bank reconciliation is completed.

b. We have obtained these duplicate copies from the bank. We have not had any issues with this lately, it was addressed through staff training on the new check system.

c. New World has been advised that we need our two facilities separated for check numbering and that our check printer default parameters do not appear to be properly set. This is scheduled to be fixed in our next update in July.

d. We have removed a few of the signatures, however, the remaining signatures are the Shift Supervisors and one legal office assistant. With our 2 facilities and a 24/7 operation, we must have each Supervisor capable of signing these checks. Our other option is to mail out all checks after persons are released which will be costly, time consuming and difficult to send to individuals who are transient considering we book over 12,000 inmates/year.

e. This was fixed through New World in April 2005.

f. The Data Analysis and Mapping (DAM) reports through New World are "timing out". New World is currently working on this issue which will allow us to create month and year end reports. We have also submitted these EOM reports as software suggestions to New World.

g. We have included this request for a general journal for the ability to maintain a record of file maintenance with our bank reconciliation needs to New World.

h. We do have policy and procedure that defines password and security access controls, staff re-training has been done on this matter within our clerical staff.

Closing Conference

The contents of this report were discussed with county auditor, administrative assistant and county commissioners on June 7, 2005.

STATE OF SOUTH DAKOTA
DEPARTMENT OF LEGISLATIVE AUDIT

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C/O 500 EAST CAPITOL
PIERRE SD 57501-5070
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FAX(605)773-6454

MARTIN L. GUINDON, CPA
AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

County Commission
Minnehaha County
Minnehaha County, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Minnehaha County, South Dakota (County), as of December 31, 2004, and for the year then ended, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Minnehaha as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and, should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Budgetary Comparison Schedules on pages 10 through 17, and 45 through 50 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards which is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and the combining nonmajor governmental fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Martin L. Guindon, CPA
Auditor General

June 7, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Minnehaha County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended on December 31, 2004. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County refinanced bonds issued in 2000 and 2001 to provide construction funds for the new jail. As part of this transaction, $7.47 million remaining in the jail construction fund after completion of the jail project was placed in the 2004 issue escrow account to provide funds for future debt service payments. The refinancing resulted in reduction of scheduled debt service payments by $11.3 million, and the County's outstanding debt was reduced by $7.765 million in 2004.
- Primarily because of the above-noted refinancing, the County's net assets, net of related debt, increased by $10.7 million, while long-term liabilities decreased by $8.1 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.
  - The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - Fiduciary fund statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds, each of which are added together and presented in a single column in the basic financial statements.

Required Components of Minnehaha County's Annual Financial Report

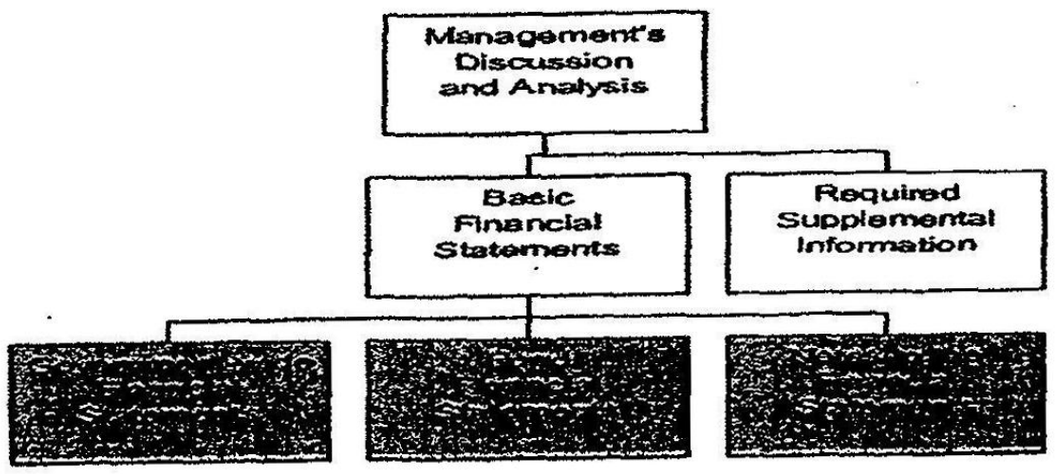

Figure A summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A

Major Features of Minnehaha County's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Required Financial Statements	*Statement of Net Assets *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Fiduciary Net Assets
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both short-term and long-term; the County's funds do not currently contain capital assets although they can

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net assets and how they have changed. Net assets – the difference between the County's assets and liabilities – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider additional nonfinancial factors such as changes in the County's property tax base and the conditions of the County's roads.

The government-wide financial statements of the County are reported in one category – Governmental Activities. This category include the County's basic services, such as general government services (auditor, treasurer, etc.), public safety, public works, health and welfare services, culture and recreation services, conservation and natural resource services, and urban and economic development programs. Property taxes, state shared revenues, federal grants and interest earnings finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- State Law requires some of the funds.
- The County Commission establishes other funds to control and manage money for particular purposes (such as the Jail Capital Project Fund, which was used to account for the new Jail building project).

The County has two kinds of funds:

- Governmental Funds – The County's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets that can readily converted to cash, flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements, or on the subsequent page, that explains the relationship (or differences) between them.
- Fiduciary (Agency) Funds – The County is the fiduciary, or agent, for collecting various funds for the State and for other units of local government. The primary sources of these funds are property taxes and vehicle license fees. These funds are transmitted to the appropriate governments monthly. The balance in the Agency Funds as of year-end is reported in the Statement of Fiduciary Net Assets. We exclude these activities from the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's combined net assets increased by $416,946, or 0.7%, from 2003 to 2004.

	Governmental Activities	
	2003	2004
Current and Other Assets	$ 29,633,235	$ 18,560,135
Capital Assets	71,461,825	72,794,048
Total Assets	101,095,060	91,354,183
Long-term Debt Outstanding (Net)	39,198,939	29,828,242
Other Liabilities	2,896,837	2,162,135
Total Liabilities	42,095,776	31,990,377
Net Assets:		
Investment in Capital Assets Net of Related Debt	32,262,886	42,965,806
Restricted	19,408,762	10,187,944
Unrestricted	7,327,635	6,210,055
Total Net Assets	$ 58,999,284	$ 59,363,806
Beginning Net Assets (adj)	55,429,380	58,946,860
Increase in Net Assets	3,569,904	416,946
Percentage of Increase in Net Assets for 2004		0.7%

The increase in net assets in 2004 was small, because both revenues and expenditures were close to budget projections.

There were significant changes in several categories of the chart above. At the end of 2003, the County's assets included $9 million being held by our trustee for the new jail project. The project was finalized in 2004, and the remaining funds were placed in an escrow account to fund future debt service payments. This is the primary reason for the decrease in Current and Other Assets, and in Restricted Net Assets, during 2004.

The refinancing of the funds borrowed in 2000 and 2001 for jail construction, along with scheduled debt service payments in 2004, lowered outstanding bonds payable by $7.765 million. This was in large part the reason for the significant decrease in Long-Term Debt Outstanding and the increase in Investment in Capital Assets, Net of Related Debt.

The Statement of Net Assets reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. The liabilities with average maturities greater than one year are reported in two components – the amount due within one year.and the amount due in more than one year. Minnehaha County's primary long-term liability is $31.2 million in bonds (certificates of participation in a lease-purchase agreement) borrowed in 1994 through 2004 to finance building of the new Courthouse and Jail and remodeling of the Public Safety Building, Juvenile Detention Center, County Administration Building, Community Corrections Center, and Annex. Other long-term liabilities include compensated absences (sick and vacation leave) due to employees, and leases for two road graders and a power generator. The difference between the county's assets and liabilities is its net assets.

Changes in Net Assets

The County's total 2004 revenues were $50,952,385. About half of the County's revenue comes from property and other taxes, 28% comes from grants and contributions, and 17% comes from charges for services.

	2003	2004
Taxes	$ 24,165,811	$ 24,826,001
State Shared Revenue	8,850,141	1,725,697
Charges for Services	7,044,950	8,452,265
Grants & Contributions	3,431,216	13,955,631
Unrestricted Investment Earnings	806,239	519,461
Miscellaneous & Special Items	1,510,649	1,473,329
Total Revenue	$ 45,809,006	$ 50,952,384

The large change in the State Shared Revenue and Grants & Contributions categories from 2003 to 2004 is due to a change in classification of most state revenues (primarily motor vehicle license fees, bank franchise tax, and telecommunications gross receipts tax) from State Shared Revenue to Grants & Contributions in 2004.

The Grants & Contributions category also increased significantly because of a $4.5 million increase in federal grants in 2004. The primary increases were $2.5 million for a Community Development Block (pass-through) Grant to construct a new building at the Southeast Technical Institute, and $2 million in funds from the Department of Homeland Security.

The County's expenses cover a range of services, most mandated by state law.

	2003	2004
General Government	$ 10,230,341	$ 11,365,212
Public Safety	16,345,041	22,671,099
Public Works	7,564,530	6,134,826
Health & Welfare	3,707,106	3,742,273
Culture & Recreation	1,814,322	1,962,632
Conservation of Natural Resources	148,184	166,012
Urban & Economic Development	354,366	2,982,653
Interest on Long-term Debt	1,978,375	1,442,915
Depreciation - unallocated	96,837	67,817
Total Expenses	$ 42,239,102	$ 50,535,439

The increase in Public Safety included expenditure of the $2 million in Homeland Security grants referred to above, an increase of $1 million in Jail expenditures (2004 was the first full year of operations for the new 400 bed jail), and a $2.6 million increase in the Communications Center (emergency dispatch) budget. The latter increase included $1 million for completion of installation of a new computer-aided dispatch system and $1.6 million for substantial upgrading of the state radio system.

The increase in Urban & Economic Development was due to the Southeast Technical Institute project.

GOVERNMENTAL ACTIVITIES

Table A-2 and the narrative that follows considers the operations of the governmental activities.

Revenues for the County's governmental activities increased by 11%, or $5.1 million. The most significant increase was $4.5 million in federal grants. Total expenses increased by 19.6%, or $8.3 million. Primary areas of increase were in Public Safety (Homeland Security grants, the State Radio project, completion of the computer-aided emergency dispatch system, and the first full year of operation of the new jail) and Urban and Economic Development (Southeast Technical Institute project). One reason for the appearance that revenue growth did not keep pace with the growth in expenditures is that 2003 revenues included a one-time, extraordinary receipt of $2.1 million in inheritance tax revenues.

Table A-2
MINNEHAHA COUNTY
Changes in Net Assets

	Total Governmental Activities	
	2003	2004
Revenues		
Program Revenues		
Charges for Services	$ 7,044,950	$ 8,452,265
Operating Grants and Contributions	89,478	10,513,806
Capital Grants and Contributions	3,341,738	3,441,825
General Revenues		
Taxes	24,165,811	24,826,001
State Shared Revenues	8,850,141	1,725,697
Unrestricted Investment Earnings	806,239	519,461
Miscellaneous	1,510,649	1,473,329
Total Revenues	45,809,006	50,952,384
Expenses		
General Government	10,230,341	11,365,212
Public Safety	16,345,041	22,671,099
Public Works	7,564,530	6,134,826
Health and Welfare	3,707,106	3,742,273
Culture and Recreation	1,814,322	1,962,632
Conservation of Natural Resources	148,184	166,012
Urban and Economic Development	354,366	2,982,653
Interest on Long-term Debt	1,978,375	1,442,915
Depreciation - unallocated	96,837	67,817
Total Expenses	42,239,102	50,535,439
Excess of Revenues over Expenses	3,569,904	416,946
Increase in Net Assets	$ 3,569,904	$ 416,946

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

There was a net decrease in the balance of the county's funds of $10.7 million in 2004. Payment of final costs of the Jail project, substantial completion of the computer-aided emergency dispatch and state radio projects, and the placing of $7.4 million in remaining Jail Project funds in escrow for future debt service payments, were primarily responsible for this change. The General Fund had a $389,417 decrease in fund balance for the year, the Highway Fund decreased by $183,989, the E-911 Fund decreased by $836,093, and the Building Fund decreased by $1.2 million.

The county made the following operating transfers between the governmental funds:

	Operating Transfer In	Operating Transfer Out
General Fund	$	$ (541,668)
E-911 Fund	417,746	
Building Fund	7,466,525	(47,457)
Other Governmental Funds	171,379	(7,466,525)
Total Operating Transfers	$ 8,055,650	$ (8,055,650)

BUDGETARY HIGHLIGHTS

Over the course of the year, the County Commission revised the County budget several times. Significant supplements included:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens ($298,000).
- Carryover supplements of $1.8 million to finance goods and services contracted for in 2003 and funded by the 2003 budget, for which bills were not received until 2004.
- A supplement of $1.6 million to establish the Jail Construction budget.
- Supplements of $8.7 million representing reimbursements of unanticipated expenses, primarily in the form of state and federal grants.

CAPITAL ASSET ADMINISTRATION

At the end of 2004, the County had invested $72,794,048 in a broad range of capital assets, including land and improvements, buildings, machinery and equipment. The only significant change in the County's capital assets in 2004 was the result of completion of the Coliseum remodeling project, after which the value of that building was reclassified from Construction in Progress to the Buildings category. The 2003 and 2004 year-end capital assets by category (net of depreciation) were:

	2003	2004
Land	$ 5,688,481	$ 5,688,481
Construction in Progress	1,793,977	
Infrastructure	29,224,204	29,640,314
Buildings	30,840,221	33,022,488
Machinery & Equipment	3,914,943	4,442,765
Total	$ 71,461,826	$ 72,794,048

LONG-TERM DEBT

The county's primary long-term debt is $31.2 million in bonds (certificates of participation in a lease-purchase agreement) borrowed in 1994 through 2004 to finance building of the new Courthouse and Jail and remodeling of the Public Safety Building, Juvenile Detention Center, County Administration Building, Community Corrections Center, and Annex. Other long-term liabilities include $1.56 million for compensated absences (sick and vacation leave) due to employees, and $125,000 in leases for two road graders and a power generator.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The county's current economic position has shown little change. The county experienced an increase in property valuation of 2.98%, representing growth from improvements and new construction, from 2003 to 2004. Under the state mandated property tax limitation, property taxes from one year to the next may increase by 3% or an amount based on the Consumer Price Index (CPI) whichever is lower, plus the growth percentage. The allowable CPI increase for 2005 taxes is 2.2%. The County Commission has chosen to increase the 2005 property tax levy by 5.18%, the total increase allowed under the tax limitation.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional information, contact Sue Roust, Minnehaha County Auditor, 415 N Dakota Ave, Sioux Falls SD 57104, (605) 367-4220, or email sroust@minnehahacounty.org.

MINNEHAHA COUNTY
STATEMENT OF NET ASSETS
December 31, 2004

	Primary Government Governmental Activities
ASSETS:	
Cash and Cash Equivalents	$ 15,242,760.72
Cash With Trustee	8,324.00
Taxes Receivable--Delinquent	277,680.06
Notes Receivable	335,000.00
Inventories	422,885.04
Due from Federal Government	1,050,722.44
Due from Local Governments	643,058.34
Due from Others	579,704.54
Capital Assets:	
Land, Improvements and Construction in Progress	5,688,480.89
Other Capital Assets, Net of Depreciation	67,105,567.20
TOTAL ASSETS	$ 91,354,183.23
LIABILITIES:	
Claims Payable	$ 599,779.08
Payroll Withholding Payable	2,152.99
Noncurrent Liabilities:	
Due Within One Year	3,440,897.10
Due in More than One Year	29,479,073.16
Less: Net Deferred and Unamortized Amounts From Refunding (see note # 8)	(1,531,525.27)
TOTAL LIABILITIES	31,990,377.06
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	42,965,806.49
Restricted for:	
Road and Bridge Purposes	5,071,933.49
Emergency 911 Purposes	892,738.03
Debt Service	1,606,384.32
Other Purposes	2,616,888.57
Unrestricted (Deficit)	6,210,055.27
TOTAL NET ASSETS	59,363,806.17
TOTAL LIABILITIES AND NET ASSETS	$ 91,354,183.23

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue & Changes in Net Assets: Primary Government: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ (11,365,212.02)	$ 3,737,451.33	$ 235,457.96	$ 3,441,825.45	$ (3,950,477.28)
Public Safety	(22,871,099.39)	4,510,718.11	5,445,271.03		(12,715,110.25)
Public Works	(6,134,826.24)	8,848.94	4,282,081.66		(1,843,895.64)
Health and Welfare	(3,742,272.93)	168,518.35	48,852.72		(3,524,901.86)
Culture and Recreation	(1,962,631.62)	26,728.76	497,931.00		(1,437,971.86)
Conservation of Natural Resources	(166,011.75)		4,211.69		(161,800.06)
Urban and Economic Development	(2,982,652.99)				(2,982,652.99)
**Depreciation Expense - Unallocated	(67,817.05)				(67,817.05)
*Interest on Long-term Debt	(1,442,914.90)				(1,442,914.90)
Total Primary Government	$ (50,535,438.89)	$ 8,452,265.49	$ 10,513,806.06	$ 3,441,825.46	(28,127,541.89)
General Revenues:					
Taxes:					
Property Taxes					21,242,186.92
Wheel Tax					2,494,800.02
911 Telephone Surcharge					1,089,014.25
State Shared Revenues					1,725,696.73
Grants and Contributions not Restricted to Specific Programs					898,312.44
Unrestricted Investment Earnings					519,461.33
Miscellaneous Revenue					575,016.66
Total General Revenues					28,544,488.35
Change in Net Assets					416,946.46
Net Assets-Beginning					58,999,284.45
Adjustments:					
Prior Period Adjustment (See Note 11)					(52,424.74)
Adjusted Net Assets-Beginning					58,946,859.71
NET ASSETS - ENDING					$ 59,363,806.17

* The County does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

** This amount excludes the depreciation that is included in the direct expenses of the various functions. See Note 7

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2004

	General Fund	Road & Bridge Fund	E-911 Fund	Building Fund	Other Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Current Assets:						
Cash and Cash Equivalents	$ 7,706,446.21	$ 4,211,165.81	$ 546,697.61	$ 1,243,443.37	$ 688,433.70	$ 14,396,386.70
Cash With Trustee					8,324.00	8,324.00
Taxes Receivable–Delinquent	233,247.13			27,940.95	16,491.98	277,680.06
Notes Receivable				335,000.00		335,000.00
Due from General Fund	0.00	508.76	162.56			671.32
Due from Federal Government	43,306.67				1,007,416.77	1,050,722.44
Due from Local Governments	21,507.04	621,551.30				643,058.34
Due from Others	146,367.21		432,247.33		2,070.00	579,704.54
Inventory of Supplies		422,885.04				422,885.04
TOTAL ASSETS	$ 8,149,894.26	$ 5,256,110.91	$ 979,307.50	$ 1,606,384.32	$ 1,722,736.45	$ 17,714,432.44
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Claims Payable	$ 551,722.38	$ 22,404.90	$ 1,054.51	$	$ 14,835.89	$ 590,017.68
Due to other Funds	671.32					671.32
Payroll Withholding Payable	1,812.76	187.54	120.70		32.00	2,152.99
Deferred Revenue	233,247.13			27,940.95	16,491.98	277,680.06
Total Liabilities	787,453.58	22,592.44	1,175.21	27,940.95	31,359.87	870,522.05
Fund Balances:						
Reserved For:						
Inventory		422,885.04				422,885.04
Debt Service				1,578,443.37		1,578,443.37
Law Library					7,359.91	7,359.91
Elections	84,159.39					84,159.39
Domestic Abuse					10,182.50	10,182.50
Unreserved Fund Balances:						
Designated for Next Year's Appropriation Reported in:	3,339,362.00	1,475,745.00	80,000.00			4,895,107.00
Special Revenue Funds					14,156.00	14,156.00
Capital Project Funds					7,042.55	7,042.55
Designated for Other Purposes Reported in Special Revenue Funds					25,123.13	25,123.13
Undesignated	3,938,919.29	3,334,888.43	898,132.29			8,171,940.01
Reported in Special Revenue Funds					1,627,511.49	1,627,511.49
Total Fund Balances	7,362,440.68	5,233,518.47	978,132.29	1,578,443.37	1,691,376.58	16,843,910.39
TOTAL LIABILITIES AND FUND BALANCES	$ 8,149,894.26	$ 5,256,110.91	$ 979,307.50	$ 1,606,384.32	$ 1,722,736.45	$ 17,714,432.44

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
December 31, 2004

Total Fund Balances - Governmental Funds	$ 16,843,910.39
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets of $116,933,613.10 less accumulated depreciation of $44,139,565.01.	72,794,048.09
Long-term liabilities for accrued leave payable are not due and payable in the current period and therefore are not reported in the funds.	(1,560,203.39)
Long-term liabilities, including bonds payable and capital leases are not due and payable in the current period and therefore are not reported in the funds.	(31,359,766.87)
Net deferred and unamortized amounts from Series 2004 Refunding are reported in the government wide statements over the remaining life of the new debt but are not reported in the funds.	1,531,525.27

Deferred Amount of Refunding	$ 2,206,440.24
Unamortized Deferred Charges--Issuance Cost	216,554.78
Unamortized Bond Premium	(891,469.75)
Net Deferred and Unamortized Amounts From Refunding	$ 1,531,525.27

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore are deferred in the governmental funds.	277,680.06
Internal service funds are used by management to charge the costs of activities, such as medical self-insurance, to individual funds. The assets ($846,374.02) and liabilities ($9,761.40) of internal service funds are included in governmental activities in the statement of net assets.	836,612.62
Net Assets - Governmental Funds	$ 59,363,806.17

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	General Fund	Road & Bridge Fund	E-911 Fund	Building Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Revenue:						
Taxes:						
General Property Taxes--Current	$ 17,671,231.30	$	$	$ 1,996,203.84	$ 896,851.63	$ 20,764,286.77
General Property Taxes--Delinquent	220,074.83			25,460.97	12,091.60	257,627.40
Penalties and Interest	49,675.32			6,208.60	2,731.69	58,615.61
Telephone Tax (Outside)	164,039.38					164,039.38
Mobile Home Tax	28,641.29			3,188.59	737.11	32,566.99
Wheel Tax		2,494,800.02				2,494,800.02
911 Telephone Surcharge			1,089,014.25			1,089,014.25
Tax Deed Revenue	47,476.35					47,476.35
Other Taxes	15,233.50			5,292.80	176.89	20,703.19
Licenses and Permits	316,091.50				44,580.00	360,671.50
Intergovernmental Revenue:						
Federal Grants	177,206.32		1,736,239.65		5,950,912.83	7,864,358.80
Federal Shared Revenue	742,390.12				153,350.00	895,740.12
Federal Payments In Lieu of Taxes	1,943.95			217.14	411.23	2,572.32
State Grants	55,131.00				800.00	55,931.00
State Shared Revenue:						
Bank Franchise	719,881.23			80,412.26	50,553.39	850,846.88
Motor Vehicle Licenses		3,964,798.78				3,964,798.78
Inheritance Tax	229,859.63					229,859.63
Court Appointed Attorney/ Public Defender	222,751.90					222,751.90
Prorate/Port of Entry Fees		273,621.72				273,621.72
Abused and Neglected Child Defense	12,706.06					12,706.06
85% Mobile Home		43,661.16				43,661.16
Telecommunications Gross Receipts Tax	622,675.68					622,675.68
Other Payments in Lieu of Taxes	20,072.41			2,242.13		22,314.54
Other Intergovernmental Revenue	497,137.14		900,292.15	103,382.80		1,500,812.09
Charges for Goods and Services:						
General Government:						
Treasurer's Fees	267,790.60					267,790.60
Register of Deeds' Fees	1,659,253.40				13,425.00	1,672,678.40
Legal Services	417,243.77					417,243.77
Clerk of Courts Fees	233,216.40					233,216.40
Other Fees	99,824.73					99,824.73

Public Safety:						
Law Enforcement	1,285,152.89					1,285,152.89
Prisoner Care	2,262,853.21					2,262,853.21
Public Works:						
Highways		8,848.94				8,848.94
Health and Welfare:						
Economic Assistance:						
Poor Lien Recoveries	116,039.99					116,039.99
Mental Health Services	52,478.36					52,478.36
Culture and Recreation					26,728.76	26,728.76
Other Charges	494,803.54					494,803.54
Fines and Forfeits:						
Fines	93,331.25				35,586.00	128,917.25
Costs	71,524.91					71,524.91
Forfeits	278,835.86					278,835.86
Other	5,696.00					5,696.00
Miscellaneous Revenue:						
Investment Earnings	317,075.56	73,294.57	11,411.89	41,596.74	76,082.57	519,461.33
Rent	32,586.40					32,586.40
Contributions and Donations	890.00				16,100.00	16,990.00
Refund of Prior Year's Expenditures	41,815.91					41,815.91
Other	149,676.89	3,597.91	415,014.67		76,375.35	646,664.82
Total Revenue	29,894,108.58	6,862,623.10	4,151,972.61	2,264,205.87	7,359,494.05	50,532,404.21
Expenditures:						
General Government:						
Legislative:						
Board of County Commissioners	368,073.81					368,073.81
Elections	276,513.36					276,513.36
Judicial System	885,988.88				33,798.51	919,787.39
Financial Administration:						
Auditor	386,855.07					386,855.07
Treasurer	845,402.01					845,402.01
Data Processing	1,213,702.00					1,213,702.00
Other					217,860.18	217,860.18
Legal Services:						
State's Attorney	1,727,716.00					1,727,716.00
Public Defender	1,305,297.00					1,305,297.00
Public Advocate	289,946.75					289,946.75
Other Administration:						
General Government Building	1,380,868.61			146,487.66		1,527,356.27
Director of Equalization	923,493.63					923,493.63
Register of Deeds	532,683.70					532,683.70
Predatory Animal (GFP)	4,768.64					4,768.64
Human Resources	159,633.71					159,633.71
Self-Insurance Plan	180,101.06					180,101.06

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004
(continued)

	General Fund	Road & Bridge Fund	E-911 Fund	Building Fund	Other Non-Major Governmental Funds	Total Governmental Funds
Other	19,740.83					19,740.83
Public Safety:						
Law Enforcement:						
Sheriff	3,183,471.27				52,042.89	3,235,514.16
Humane Society	25,738.29					25,738.29
County Jail	7,558,521.55				75,754.10	7,634,275.65
Coroner	88,687.75					88,687.75
Juvenile Detention	2,178,535.49					2,178,535.49
Air Guard	487,997.68					487,997.68
Army Guard	106,432.00					106,432.00
Protective and Emergency Services:						
Fire Protection					294,210.00	294,210.00
Emergency and Disaster Services					2,248,418.13	2,248,418.13
Communication Center			5,359,642.22			5,359,642.22
Public Works:						
Highways and Bridges:						
Highways, Roads and Bridges		4,209,616.18				4,209,616.18
Health and Welfare:						
Economic Assistance:						
Support of Poor	2,743,780.17				14,735.19	2,758,515.36
Other	7,000.00				60,060.00	67,060.00
Social Services:						
Child Support Enforcement	7,500.00					7,500.00
Other	7,000.00					7,000.00
Mental Health Services:						
Mentally Ill	675,075.49					675,075.49
Developmentally Disabled	61,904.00					61,904.00
Mental Health Centers	148,265.00					148,265.00
Culture and Recreation:						
Culture:						
Public Library					614,200.00	614,200.00
Historical Museum	929,734.53				98,001.86	1,027,736.39
Memorial Day Expense	1,269.00					1,269.00
Recreation:						
Parks	41,191.85					41,191.85
County Fair	125,000.00					125,000.00
Senior Center	3,000.00					3,000.00

Conservation of Natural Resources:						
Soil Conservation:						
County Extension	151,368.37					151,368.37
Soil Conservation Districts	10,000.00					10,000.00
Other	2,500.00					2,500.00
Urban and Economic Development:						
Urban Development:						
Planning and Zoning	364,458.47					364,458.47
Economic Development:						
Tourism, Industrial or Recreational Development	12,500.00					12,500.00
Other					2,587,759.68	2,587,759.68
Debt Service	13,866.60	81,576.74		10,954,723.99		11,030,167.33
Capital Outlay	314,524.87	2,814,508.54	46,169.87	8,530.00	1,852,158.77	5,036,892.05
Total Expenditures	29,750,107.44	7,085,701.46	5,405,812.09	11,109,741.65	8,148,999.31	61,500,361.95
Other Financing Sources (Uses):						
Transfers In			417,746.00	7,466,525.27	171,378.75	8,055,650.02
Transfers Out	(541,668.00)			(47,456.75)	(7,466,525.27)	(8,055,650.02)
Insurance Proceeds (Catastrophic)	8,249.12					8,249.12
Proceeds from Refunding Certificates Issued				13,170,000.00		13,170,000.00
Premiums of Refunding Certificates				891,469.75		891,469.75
Payments to Refunded Debt Escrow Agent				(13,844,914.97)		(13,844,914.97)
Total Other Financing Sources (Uses)	(533,418.88)	0.00	417,746.00	7,635,623.30	(7,295,146.52)	224,803.90
Other Changes in Fund Balances						
Change in Reserve for Inventory		39,088.92				39,088.92
Net Change in Fund Balances	(389,417.74)	(183,989.44)	(636,093.48)	(1,209,912.48)	(8,084,651.76)	(10,704,064.92)
Fund Balance - Beginning	7,804,283.16	5,417,507.91	1,814,225.77	2,788,355.85	9,776,027.36	27,600,400.05
Adjustments:						
Prior Period Adjustment (See Note 11)	(52,424.74)					(52,424.74)
Adjusted Fund Balance - Beginning	7,751,858.42	5,417,507.91	1,814,225.77	2,788,355.85	9,776,027.36	27,547,975.31
FUND BALANCE - ENDING	$ 7,362,440.68	$ 5,233,518.47	$ 978,132.29	$ 1,578,443.37	$ 1,691,375.58	$ 16,843,910.39

The Notes to the Financial Statements are and integral part of this statement.

MINNEHAHA COUNTY
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended December 31, 2004

Net Change in Fund Balances - Total Governmental Funds	$(10,704,064.92)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays ($5,035,892.05) were more than depreciation ($3,549,569.98) in the current period.	1,486,322.07
In the statement of activities, the loss on disposal of assets is reported, whereas in the governmental funds, the disposal of fixed assets is not reflected. This is the amount by which deletions ($430,773.71) exceeds accumulated depreciation of the deletions ($276,674.12).	(154,099.59)
Repayment of long term liabilities' principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,904,172.38
The county's contribution to the debt of refunding is a debt service expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.	7,466,525.27
Compensated Absences reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in governmental funds.	(147,740.36)
Governmental funds report property taxes as revenue in the period for which they are levied, subject to the "available" criteria as defined in Note 1, but the statement of activities include the property taxes as revenue in the period for which tax is levied.	(103,128.77)
Internal service funds are used by management to charge the costs of certain activities, such as medical self-insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	668,960.38
Change in Net Assets of Governmental Activities	$ 416,946.46

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
BALANCE SHEET
PROPRIETARY FUNDS
December 31, 2004

	Internal Service Funds
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	$ 846,374.02
TOTAL ASSETS	$ 846,374.02
LIABILITIES:	
Current Liabilities:	
Claims Payable	$ 9,761.40
NET ASSETS:	
Restricted Net Assets:	
Restricted for Other Purposes	836,612.62
TOTAL LIABILITIES AND NET ASSETS	$ 846,374.02

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004

	Internal Service Funds
Operating Revenue:	
Charges for Goods and Services	$ 2,346,401.66
Operating Expenses:	
Other Current Expense	
Insurance Costs	158,298.28
Claims Paid	1,450,651.10
Administration Fee	81,603.28
Other	200.00
Total Operating Expenses	1,690,752.66
Operating Income (Loss)	655,649.00
Nonoperating Revenue (Expense):	
Investment Earnings	7,752.91
Rebate	5,558.47
Total Nonoperating Revenue (Expense)	13,311.38
Change in Net Assets	668,960.38
Net Assets - Beginning	167,652.24
NET ASSETS - ENDING	$ 836,612.62

The Notes to the Financial Statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2004

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Receipts from Customers	$ 2,346,401.66
Cash Payments to Suppliers of Goods and Services	(240,101.56)
Claims Paid	(1,603,595.63)
Net Cash Provided (Used) by Operating Activities	502,704.47
Cash Flows from Investing Activities:	
Interest Earnings	7,752.91
Rebate	5,558.47
Net Cash Provided by Investing Activities	13,311.38
Net Increase (Decrease) in Cash and Cash Equivalents	516,015.85
Cash and Cash Equivalents at Beginning of Year	330,358.17
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 846,374.02
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ 655,649.00
Change in Assets and Liabilities:	
Accounts and Other Payables	(152,944.53)
Net Cash Provided (Used) by Operating Activities	$ 502,704.47

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	Agency Funds
ASSETS:	
Cash and Cash Equivalents	$ 4,606,199.31
TOTAL ASSETS	$ 4,606,199.31
LIABILITIES:	
Amounts Held for Others	$ 2,586.11
Due to Other Governments	4,603,613.20
Total Liabilities	4,606,199.31
NET ASSETS	0.00
TOTAL LIABILITIES AND NET ASSETS	$ 4,606,199.31

The notes to the financial statements are an integral part of this statement.

MINNEHAHA COUNTY
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of Minnehaha County, (County) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements would distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. The County does not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the County financial reporting entity are described below:

Governmental Funds:

General Fund – the General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Special Revenue Funds – special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

County Road and Bridge Fund - to account for funds credited to the county road and bridge fund pursuant to SDCL 32-11-4.2 to be used by the board of county commissioners for grading, constructing, planning, dragging, and maintaining county highways and also for dragging, maintaining and grading secondary roads. Proper equipment for dragging grading, and maintaining highways, such as graders, tractors, drags, maintainers, and planners may be purchased from the road and bridge fund. (SDCL 32-11-2 and 32-11-4.2) This is a major fund.

Courthouse Building Fund - authorized by SDCL 7-25-1 to account for the accumulation of a special tax levy not to exceed ninety cents per thousand dollars of taxable valuation annually for the acquisition or construction of a courthouse, office, jail building, county extension buildings, grandstands and bleachers, highway maintenance buildings or public library. This is a major fund.

Communications (E-911) Fund – authorized by SDCL 34-45-4 and 12 to account for the collections generated by 911 system charges with expenditures of these funds used for the operations of the system. The County has elected to report this fund as a major fund.

The remaining Special Revenue funds are not considered major funds: Fire Protection, Emergency and Disaster, Domestic Abuse, Public Library, Museum Grants, Museum Store, Museum Enterprise, Museum Lighting, FEMA, Law Library, Pass Through Grants, Courthouse Art and Law Enforcement Equipment Grant. These funds are reported as a part of the "Other Non-Major Governmental Funds."

Capital Project Funds – capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds for individuals, private organizations, or other governments).

The County maintains the Jail and Coliseum Capital Project funds. These funds are used to account for financial resources used for the construction of the County Jail and Coliseum. These are not major funds.

Proprietary Funds:

Internal Service Funds – internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds are never considered to be major funds. The Self Insurance Fund is the only internal service fund maintained by the County.

Fiduciary Funds:

Fiduciary funds consist of the following sub-category and are never considered to be major funds:

Agency funds - Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are used to account for the collection and distribution of property tax revenues and the distribution of various pass through funds.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, the governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental fund types, while the "economic resources" measurement focus and the accrual basis of accounting is applied to the proprietary fund.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the County, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2004 are amounts due from federal, state, local governments and other entities.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications:

Government-wide Financial Statements:

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified, as follows:

1. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the Internal Service Funds, so that expenses are reported only by the function to which they relate.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost, or estimated cost, where actual cost could not be determined. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful file of a capital asset are also capitalized.

The total December 31, 2004 balance of governmental activities capital assets includes approximately 10 percent for which the costs were determined by estimates of the original costs. These estimated original costs were established by reviewing applicable historical costs of similar items and basing the estimations thereon.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to January 1, 1980, were not required to be capitalized by the County. Infrastructure assets acquired since January 1, 1980 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities capital assets, construction-period interest is not capitalized, in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Assets. Accumulated depreciation is reported on the government-wide Statement of Net Assets.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	$ 1.00	N/A	N/A
Improvements other than buildings	$ 50,000.00	Straight-line	10-25 yrs.
Buildings	$ 50,000.00	Straight-line	40-99 yrs.
Machinery and Equipment	$ 5,000.00	Straight-line	3-25 yrs.
Infrastructure	$ 50,000.00	Straight-line	25-50 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of limited tax, general obligation bonds, financing (capital acquisition) leases and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the County's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Assets, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

i. Cash and Cash Equivalents:

The County pools the cash resources of its funds for cash management purposes. The proprietary fund essentially has access to the entire amount of its cash resources on demand. Accordingly, the proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

j. Equity Classifications:

Government-wide Statements:

Equity is classified as net assets and is displayed in three components

1. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition , construction, or improvement of those assets.

2. Restricted net assets – Consists of net assets with constraints places on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

3. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Reserved" and "Unreserved" components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

k. Application of Net Assets:

It is the County's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. DEPOSITS AND INVESTMENTS

The County follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The County's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is of the add-on type.

State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The County's policy is to credit all income from deposits and investments to the fund making the investment.

The actual bank balances at December 31, 2004 were as follows:

	Bank Balance
Insured (FDIC/NCUA)	$ 200,000.00
Uninsured, collateral jointly held by state's/ County's agent in the name of the state and the pledging financial institution.	19,935,562.68
Total Deposits	$ 20,135,562.68

The carrying amount of deposits on the December 31, 2004 balance sheet was $19,824,630.03.

Reconciliation of deposits to Government-Wide Statement of Net Assets:

Cash and Cash Equivalents	$ 15,242,760.72
Add: Agency Fund Cash (Not Included in Government-Wide Statement of Net Assets)	4,606,199.31
Subtract: Change Fund (Not Considered a Deposit)	(24,330.00)
Total Reconciled Deposits	$ 19,824,630.03

Investments - In General, SDCL 4-5-6 permits county funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Investments are stated at fair value. Accordingly, changes in market value of investments at year end are reflected as a component of earnings on investments.

The investments at December 31, 2004 were as follows:

	Fair Value
Mutual Funds:	
Prime Obligation Funds	$ 8,324.00

3. RECEIVABLES AND PAYABLES

The County aggregated receivables and payables on the Government-Wide financial statements. However, the fund financial statements provide the receivable and payable information in a non aggregated format. The County expects all receivables to be collected within one year, except for $310,000 of notes receivable from the Sioux Empire Fair Association for the construction of an ice rink. The note receivable is due to the Building Fund which is reported as a major fund on the Governmental Funds Balance Sheet.

4. INVENTORY

Inventory in the special revenue funds consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, purchases of supply inventory items are recorded as an expenditure at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

5. DEFERRED REVENUE

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The County is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable real property in the county.

7. CHANGES IN GENERAL CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2004 is as follows:

	Balance 1/1/04	Increases	Decreases	Balance 12/31/04
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 5,688,480.89	$	$	$ 5,688,480.89
Construction in Progress	1,793,977.00		(1,793,977.00)	
Total Capital Assets not being Depreciated	7,482,457.89	0.00	(1,793,977.00)	5,688,480.89
Capital Assets being Depreciated:				
Infrastructure	49,751,243.91	2,007,151.00	(880,193.00)	50,878,201.91
Buildings	48,310,216.30	3,390,972.06		51,701,188.36
Machinery and Equipment	7,664,769.66	1,431,745.99	(430,773.71)	8,665,741.94
Total Capital Assets being Depreciated	105,726,229.87	6,829,869.05	(1,310,966.71)	111,245,132.21

Less Accumulated Depreciation for:				
Infrastructure	(20,527,040.00)	(1,591,041.00)	880,193.00	(21,237,888.00)
Buildings	(17,469,994.65)	(1,208,705.39)		(18,678,700.04)
Machinery and Equipment	(3,749,827.50)	(749,823.59)	276,674.12	(4,222,976.97)
Total Accumulated Depreciation	(41,746,862.15)	(3,549,569.98)	1,156,867.12	(44,139,565.01)
Total Capital Assets being Depreciated, Net	63,979,367.72	3,280,299.07	(154,099.59)	67,105,567.20
Govemmental Activity Assets, Net	$ 71,461,825.61	$ 3,280,299.07	$ (1,948,076.59)	$ 72,794,048.09

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	$ 398,508.11
Public Safety	951,989.91
Public Works	1,975,395.18
Health and Welfare	1,124.56
Culture and Recreation	147,505.44
Conservation of Natural Resources	537.63
Urban and Economic Development	6,692.10
Depreciation - Unallocated	67,817.05
Total Depreciation Expense - Governmental Activities	$ 3,549,569.98

8. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Balance 1/1/04	Additions	Reductions	Balance 12/31/04	Due Within One Year
Primary Government:					
Government Activities:					
Bonds and Certificates Payable:					
Certificates of Participation	$ 39,000,000.00	$ 13,170,000.00	$ 20,935,000.00	$ 31,235,000.00	$ 1,980,000.00
Less: Net Deferred and Unamortized Amounts from Refunding**		(1,531,525.27)		(1,531,525.27)	
Other Liabilities					
Financing (Capital Acquisition) Leases	198,939.25		74,172.38	124,766.87	63,418.17
Compensated Absences	1,412,463.03	1,545,219.29	1,397,478.93	1,560,203.39	1,397,478.93
Total Governmental Activities	$ 40,611,402.28	$ 13,183,694.02	$ 22,406,651.31	$ 31,388,444.99	$ 3,440,897.10

** This amount is the net effect of the deferred amount of refunding of $2,206,440.24, the unamortized deferred charges for issuance cost of $216,554.78, and the unamortized bond premium of ($891,469.75) which are to be recognized over the life of the new refunding certificates.

In November 2004 the County issued $13,170,000.00 in Limited Tax General Obligation Certificates with an average interest rate of 4.84 percent to refund a portion of the Limited Tax General Obligation–Series 2000 and all of the Limited Tax General Obligation—Series 2001 as described below:

Date Issued	Project	Average Interest Rate	Refunded Principal
12/1/00	Limited Tax General Obligation Certificates—Series 2000	4.82%	$ 6,105,000.00
1/1/01	Limited Tax General Obligation Certificates—Series 2001	5.625%	$ 13,000,000.00

The entire proceeds of the refunding issue in the amount of $13,844,914.97 (value of bonds issued of $13,170,000.00 plus reoffering premium of $891,469.75, less underwriters discount of $131,700.00, and less issuance costs of $84,854.78) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service requirements on the refunded bonds. The County also contributed $7,466,525.27 during the current period to be deposited in the escrow account. The total $21,311,440.24 deposited with escrow agent will be used for all future debt service requirements of the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the County's records.

The County refunded the debt to reduce its total debt service payments over the next 16 years by $3,846,518.71 and to obtain an economic gain of $298,054.24.

Debt payable at December 31, 2004, is comprised of the following:

Certificates of Participation:

Limited Tax General Obligation - Series 1995, 2.75 to 6.00 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 310,000.00
Limited Tax General Obligation - Series 1997A, 4.10 to 5.45 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 3,200,000.00
Limited Tax General Obligation - Series 1997B, 4.10 to 5.45 Percent Interest, Final Maturity Date of December 2014, Retired by the Building Fund (Special Revenue Fund)	$ 3,155,000.00
Limited Tax General Obligation – Series 1999, 3.90 to 4.50 Percent Interest, Final Maturity Date of December 2012, Retired by the Building Fund (Special Revenue Fund)	$ 7,750,000.00
Limited Tax General Obligation – Series 2000, 4.4 to 5.0 Percent Interest, Final Maturity Date of December 2015, Retired by the Building Fund (Special Revenue Fund)	$ 3,650,000.00
Limited Tax General Obligation – Series 2004, 3.5 to 5.0 Percent Interest, Final Maturity Date of November 2020, Retired by the Building Fund (Special Revenue Fund)	$ 13,170,000.00

Compensated Absences:

Vacation Leave	$ 906,514.20
Sick Leave	$ 653,689.19

Payment to be made by the fund that the payroll expenditures are charged to.

Financing (Capital Acquisition) Lease:

1994 Installment Sales Contract with Northern States Power Company, 6.40 Percent Interest, Final Maturity Date of February 2005, Retired by the General Fund	$	2,291.43
2002 Capital Lease with John Deere for Two Motor Graders, 4.50 Percent Interest, Final Maturity Date of October 2007, Retired by the County Road and Bridge Fund	$	122,475.44

The purchase price at the commencement of the financing (capital acquisition) lease was:

Principal	$ 384,224.30
Interest	62,325.40
TOTAL	$ 446,549.70

The annual requirements to amortize all debt outstanding as of December 31, 2004, except for compensated absences but including interest payments of $12,249,837.50, are as follows:

Annual Requirements to Amortize Long-Term Debt
December 31, 2004

Year Ending Dec. 31,	Certificates of Participation		Financing (Capital Acquisition) Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 1,980,000.00	$ 1,518,705.29	$ 63,418.17	$ 469.67	$ 2,043,418.17	$ 1,519,174.96
2006	1,970,000.00	1,379,288.00	61,346.70	230.04	2,031,346.70	1,379,518.04
2007	2,005,000.00	1,292,232.00	2.00		2,005,002.00	1,292,232.00
2008	2,195,000.00	1,202,984.50			2,195,000.00	1,202,984.50
2009	2,365,000.00	1,103,264.50			2,365,000.00	1,103,264.50
2010-2014	10,910,000.00	3,884,913.50			10,910,000.00	3,884,913.50
2015-2019	7,695,000.00	1,762,000.00			7,695,000.00	1,762,000.00
2020-2024	2,115,000.00	105,750.00			2,115,000.00	105,750.00
TOTAL	$ 31,235,000.00	$ 12,249,137.79	$ 124,766.87	$ 699.71	$ 31,359,766.87	$ 12,249,837.50

9. CONDUIT DEBT

In the past, the County has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the County, the State of South Dakota, nor any other political subdivision of the state is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2004, there were three series of conduit bonds outstanding, with an aggregate unpaid principal amount of $13,309,671.98.

10. OPERATING LEASES

Minnehaha County entered into an operating lease agreement on April 1, 1995, with thirteen counties to provide them access to Minnehaha County's juvenile detention facilities. This contract is to remain in effect for twenty years (until March 31, 2015). The payments will be the same throughout the term of the lease agreement and are due each June 1st and December 1st.

The counties and their annual rental payments to Minnehaha County will be as follows:

Bon Homme	$ 4,332.12
Brookings	22,726.18
Charles Mix	6,370.16
Clay	9,680.67
Hanson	2,294.08
Hutchinson	5,604.60
Lake	7,642.64
Lincoln	14,012.80
McCook	3,822.61
Miner	2,038.04
Moody	5,604.60
Turner	4,841.63
Yankton	14,775.77
	$ 103,745.90

There are additional daily charges to the participating counties for expenses related to housing juveniles in the detention facilities.

11. PRIOR PERIOD ADJUSTMENTS

The amount reported consists of a $21,105.77 refund to the City of Sioux Falls related to the joint operation of the Museum and a $31,318.97 payment to the State Treasurer for remittance of unclaimed property.

12. RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute 6 percent of their salary to the plan, while public safety and judicial employees contribute at 8 percent and 9 percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. The County's share of contributions to the SDRS for the fiscal years ended December 31, 2004, 2003, and 2002 were $1,213,312.08, $1,095,856.21 and $927,270.05, respectively, equal to the required contributions each year.

13. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2004, the County was involved in several lawsuits. No determination can be made at this time regarding the potential outcome of these lawsuits. However, as discussed in the Risk Management note, the County has liability coverage for itself and its employees with South Dakota Public Assurance Alliance. Therefore, no material effects are anticipated to the County as a result of the potential outcome of these lawsuits.

14. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2004, the County managed its risks as follows:

Employee Health Insurance:

The county is self-insured for employee health insurance.

Minnehaha County purchases catastrophic coverage for employee's health insurance to minimize their exposure to risks of loss to the self-insurance program. The county purchases two types of insurance. The first is aggregate excess liability insurance. This insurance will pay 100% of all claims in excess of a pre-determined dollar amount for a claim year. The insurance company applying a formula based upon previous years' annual claims and self-insurance group size determines the dollar amount of aggregate claims. In 2004 the minimum aggregate amount was $1,794,155.00. The insurance company would pay 100% of all program eligible claim expenses in excess of that amount for 2004. The other form of insurance carried by the county on the self-insurance program covers individual cases. In 2004 the insurance company set a $100,000 yearly deductible level on individual cases. Any individual's eligible claim expenses exceeding $100,000 that are to be paid by the self-insurance program will be paid 100% by the insurance company.

The insurance company also sets a $1,000,000 maximum lifetime coverage amount on individuals. Based on the 2004 insurance agreement and a review of the 2003 and 2002 insurance agreements, the county's self-insurance program has not had any significant reductions in insurance coverage from previous years to the current year. In 2000 the self-insurance program's total yearly claims exceeded this minimum aggregate deductible amount set by the insurance company, but it did not exceed the minimum in 2001, 2002, 2003 or 2004. Minnehaha County increased the aggregate deductible in 2001 to reduce insurance cost. In 2004 the self-insurance program's total yearly claim expenses did not exceed the minimum aggregate deductible of $1,794,155.00 established by the insurance company. In 2002 the program had three individuals with claim expenses that exceeded the individual claim level amount. In 2003 the program had two individuals with claim expenses that exceeded the individual claim level amount. In 2004 the program had one individual with claim expenses that exceeded the individual claim level amount.

The county has reserved equity in the Self-Insurance Fund in the amount of $836,612.62 for the payment of future claims.

Liability Insurance:

The County joined the South Dakota Public Assurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The County pays an annual premium to the pool to provide coverage for:

a. General Liability
b. Automobile Liability
c. Officials Liability
d. Law Enforcement Liability

The agreement with the South Dakota Public Assurance Alliance provides that the above coverages will be provided to a $1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of $250,000 to the upper limit. The County carries a $5,000 deductible for the general, officials and law enforcement liability coverage and $0.00 deductible for the automobile liability coverage.

The County does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage for the past several years.

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2004
(continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures:				
General Government:				
Legislative:				
Board of County Commissioners	351,338.00	376,917.58	368,073.81	8,843.77
Contingency	25,000.00	25,000.00	0.00	25,000.00
Elections	234,812.00	287,937.00	286,513.36	1,423.64
Judicial System	892,800.00	892,800.00	885,988.88	6,811.12
Financial Administration:				
Auditor	408,830.00	410,777.66	386,855.07	23,922.59
Treasurer	885,802.00	899,815.00	848,539.29	51,075.71
Information Services	1,298,983.00	1,298,983.00	1,237,650.74	61,332.26
Human Resources	174,287.00	180,787.00	159,633.71	21,153.29
SECOG	19,176.00	19,176.00	19,176.00	0.00
Legal Services:				
State's Attorney	1,778,204.00	1,800,257.00	1,745,216.00	55,041.00
Public Defender	1,318,651.00	1,318,651.00	1,305,695.98	12,955.02
Public Advocate	284,374.00	290,740.25	289,946.75	793.50
Other Administration:				
General Government Building	1,503,287.40	1,516,387.40	1,393,968.61	122,418.79
Director of Equalization	946,963.00	946,963.00	923,493.63	23,469.37
Register of Deeds	560,617.00	560,617.00	540,183.70	20,433.30
Predatory Animal (GFP)	4,769.00	4,769.00	4,768.64	0.36
Self-Insurance Plan	246,000.00	246,000.00	180,101.06	65,898.94
Other	0.00	0.00	564.83	(564.83)
Public Safety:				
Law Enforcement:				
Air Guard	526,000.00	526,000.00	487,997.68	38,002.32
Sheriff	3,182,555.00	3,415,923.84	3,337,592.14	78,331.70
County Jail	7,476,473.00	7,735,786.92	7,619,360.55	116,426.37
Coroner	96,000.00	100,772.64	88,687.75	12,084.89
Juvenile Detention	2,302,508.00	2,304,853.44	2,195,025.49	109,827.95
Army Guard	0.00	150,000.00	106,432.00	43,568.00
Humane Society	29,500.00	29,500.00	25,738.29	3,761.71
Health and Welfare:				
Economic Assistance:				
Human Services	2,936,955.00	2,986,855.00	2,743,780.17	244,874.83
Food Service Center	7,000.00	7,000.00	7,000.00	0.00
Health Assistance:				
Wheels To Work Program	2,500.00	2,500.00	0.00	2,500.00
Social Services:				
Inter-Lakes Community	5,000.00	5,000.00	5,000.00	0.00
Glory House	7,500.00	7,500.00	7,500.00	0.00
Dakotabilities	15,476.00	15,476.00	15,476.00	0.00
Rape & Domestic Abuse Center	2,500.00	2,500.00	0.00	2,500.00
Helpline Center, Inc.	2,000.00	2,000.00	2,000.00	0.00
Mental Health Services:				
Mentally Ill	600,100.00	675,100.00	675,075.49	24.51
Sioux Vocational Services	46,428.00	46,428.00	46,428.00	0.00
Mental Health Centers	148,265.00	148,265.00	148,265.00	0.00
Culture and Recreation:				
Culture:				
Historical Museum	996,311.00	996,654.69	937,224.53	59,430.16
Memorial Day Expense	1,200.00	1,200.00	924.00	276.00
County Cemetery	500.00	800.00	345.00	455.00

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2004
(continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Recreation:				
Parks	41,134.00	49,134.00	41,191.85	7,942.15
County Fair	125,000.00	125,000.00	125,000.00	0.00
Senior Citizens	3,000.00	3,000.00	3,000.00	0.00
Conservation of Natural Resources:				
Soil Conservation:				
County Extension	147,321.00	158,748.20	151,368.37	7,379.83
Soil Conservation Districts	10,000.00	10,000.00	10,000.00	0.00
Agri-Business	2,500.00	2,500.00	2,500.00	0.00
Urban and Economic Development:				
Urban Development:				
Planning and Zoning	375,270.00	376,270.00	364,458.47	11,811.53
Economic Development:				
Tourism, Industrial or Recreational Development	2,500.00	2,500.00	2,500.00	0.00
MCEDA	10,000.00	10,000.00	10,000.00	0.00
Debt Service	13,866.60	13,866.60	13,866.60	0.00
Total Expenditures	30,049,256.00	30,989,312.22	29,750,107.44	1,239,204.78
Excess of Revenue Over (Under) Expenditures	(712,767.00)	(1,652,843.22)	144,001.14	1,796,844.36
Other Financing Sources (Uses):				
Operating Transfers Out	(541,668.00)	(541,668.00)	(541,668.00)	0.00
Insurance Proceeds (Catastrophic)	150,000.00	150,000.00	8,249.12	(141,750.88)
Total Other Financing Sources (Uses)	(391,668.00)	(391,668.00)	(533,418.88)	(141,750.88)
Net Change in Fund Balances	(1,104,455.00)	(2,044,511.22)	(389,417.74)	1,655,093.48
Fund Balance - Beginning	7,804,283.16	7,804,283.16	7,804,283.16	0.00
Adjustments:				
Prior Period Adjustment (See Note 11)	0.00	0.00	(52,424.74)	(52,424.74)
Adjusted Fund Balance - Beginning	7,804,283.16	7,804,283.16	7,751,858.42	(52,424.74)
FUND BALANCE - ENDING	$ 6,699,828.16	$ 5,759,771.94	$ 7,362,440.68	$ 1,602,668.74

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - ROAD AND BRIDGE FUND
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenue:				
Taxes:				
Wheel Tax	$ 2,400,000.00	$ 2,400,000.00	$ 2,494,800.02	$ 94,800.02
Intergovernmental Revenue:				
State Shared Revenue:				
Motor Vehicle Licenses	3,800,000.00	3,800,000.00	3,964,798.78	164,798.78
Prorate/Port of Entry Fees	260,000.00	260,000.00	273,621.72	13,621.72
85% Mobile Home	30,000.00	30,000.00	43,661.16	13,661.16
Charges for Goods and Services:				
Public Works:				
Highways	25,000.00	25,000.00	8,848.94	(16,151.06)
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	73,294.57	73,294.57
Other	2,000.00	2,000.00	3,597.91	1,597.91
Total Revenue	6,517,000.00	6,517,000.00	6,862,623.10	345,623.10
Expenditures:				
Public Works:				
Highways and Bridges:				
Highways, Roads and Bridges	7,724,140.26	8,917,225.58	7,024,124.72	1,893,100.86
Debt Service	61,576.74	61,576.74	61,576.74	0.00
Total Expenditures	7,785,717.00	8,978,802.32	7,085,701.46	1,893,100.86
Excess of Revenue Over (Under) Expenditures	(1,268,717.00)	(2,461,802.32)	(223,078.36)	2,238,723.96
Other Changes in Fund Balance:				
Changes in Reserve for Inventory	0.00	0.00	39,088.92	39,088.92
Net Change in Fund Balances	(1,268,717.00)	(2,461,802.32)	(183,989.44)	2,277,812.88
Fund Balance - Beginning	5,417,507.91	5,417,507.91	5,417,507.91	0.00
FUND BALANCE - ENDING	$ 4,148,790.91	$ 2,955,705.59	$ 5,233,518.47	$ 2,277,812.88

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - E911 FUND
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenue:				
Taxes:				
911 Telephone Surcharge	$ 1,448,422.00	$ 1,448,422.00	$ 1,089,014.25	$ (359,407.75)
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	1,736,239.65	1,736,239.65
State Shared Revenue:				
Other Intergovernmental Revenue	545,096.00	545,096.00	900,292.15	355,196.15
Miscellaneous Revenue:				
Investment Earnings	20,000.00	20,000.00	11,411.89	(8,588.11)
Other	25,000.00	25,000.00	415,014.67	390,014.67
Total Revenue	2,038,518.00	2,038,518.00	4,151,972.61	2,113,454.61
Expenditures:				
Public Safety:				
Protective and Emergency Services:				
Communication Center	2,456,264.00	5,997,961.23	5,405,812.09	592,149.14
Total Expenditures	2,456,264.00	5,997,961.23	5,405,812.09	592,149.14
Excess of Revenue Over (Under) Expenditures	(417,746.00)	(3,959,443.23)	(1,253,839.48)	2,705,603.75
Other Financing Sources (Uses):				
Operating Transfers In	417,746.00	417,746.00	417,746.00	0.00
Net Change in Fund Balances	0.00	(3,541,697.23)	(836,093.48)	2,705,603.75
Fund Balance - Beginning	1,814,225.77	1,814,225.77	1,814,225.77	0.00
FUND BALANCE - ENDING	$ 1,814,225.77	$ (1,727,471.46)	$ 978,132.29	$ 2,705,603.75

REQUIRED SUPPLEMENTARY INFORMATION
MINNEHAHA COUNTY
BUDGETARY COMPARISON SCHEDULE - BUILDING FUND
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenue:				
Taxes:				
General Property Taxes--Current	$ 2,013,039.00	$ 2,013,039.00	$ 1,996,203.84	$ (16,835.16)
General Property Taxes--Delinquent	24,200.00	24,200.00	25,460.97	1,260.97
Penalties and Interest	5,000.00	5,000.00	6,208.60	1,208.60
Mobile Home Tax	5,000.00	5,000.00	3,188.59	(1,811.41)
Tax Deed Revenue	1,000.00	1,000.00	5,292.80	4,292.80
Intergovernmental Revenue:				
Federal Payments in Lieu of Taxes	100.00	100.00	217.14	117.14
State Shared Revenue:				
Bank Franchise	40,000.00	40,000.00	80,412.26	40,412.26
Other Payments in Lieu of Taxes	0.00	0.00	2,242.13	2,242.13
Other Intergovernmental Revenue	103,700.00	103,700.00	103,382.80	(317.20)
Miscellaneous Revenue:				
Investment Earnings	300,000.00	300,000.00	41,596.74	(258,403.26)
Other	45,000.00	45,000.00	0.00	(45,000.00)
Total Revenue	2,537,039.00	2,537,039.00	2,264,205.87	(272,833.13)
Expenditures:				
General Government:				
Other Administration:				
General Government Building	448,000.00	513,391.00	155,017.66	358,373.34
Debt Service (See Note 2)	3,786,932.00	3,786,932.00	10,954,723.99	(7,167,791.99)
Total Expenditures	4,234,932.00	4,300,323.00	11,109,741.65	(6,809,418.65)
Excess of Revenue Over (Under) Expenditures	(1,697,893.00)	(1,763,284.00)	(8,845,535.78)	(7,082,251.78)
Other Financing Sources (Uses):				
Operating Transfers In	0.00	0.00	7,466,525.27	7,466,525.27
Operating Transfers Out	(47,456.75)	(47,456.75)	(47,456.75)	0.00
Proceeds of Refunding Certificates Issued	0.00	0.00	13,170,000.00	13,170,000.00
Premium on Refunding Certificates	0.00	0.00	891,469.75	891,469.75
Payment to Refunded Debt Escrow Agent	0.00	0.00	(13,844,914.97)	(13,844,914.97)
Total Other Financing Sources (Uses)	(47,456.75)	(47,456.75)	7,635,623.30	7,683,080.05
Net Change in Fund Balances	(1,745,349.75)	(1,810,740.75)	(1,209,912.48)	600,828.27
Fund Balance - Beginning	2,788,355.85	2,788,355.85	2,788,355.85	0.00
FUND BALANCE - ENDING	$ 1,043,006.10	$ 977,615.10	$ 1,578,443.37	$ 600,828.27

MINNEHAHA COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

Note 1. Budgets and Budgetary Accounting:

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Between the fifteenth and thirtieth days of July in each year the Board of County commissioners prepares and files with the County Auditor a provisional budget for the following year, containing a detailed estimate of cash balances, revenues and expenditures.

2. Prior to the first Tuesday in September in each year a notice of budget hearing is published once each week for two successive weeks, and the text of the provisional budget is published with the first publication.

3. The Board of County Commissioners holds a meeting for the purpose of considering the provisional budget on or prior to the first Tuesday in September in each year. Such hearings must be concluded by October first. Changes made to the provisional budget are entered at length in the minutes of the Board of County Commissioners.

4. Before October first of each year the Board of County Commissioners adopts an annual budget for the ensuing year. The adopted budget is filed in the office of the County Auditor.

5. After adoption by the Board of County Commissioners, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 7.

6. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total county budget.

7. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

8. Unexpended appropriations lapse at year end unless encumbered by resolution of the Board of County Commissioners.

9. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

10. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with USGAAP.

Note 2. Expenditure In Excess of Appropriations:

The Budgetary Comparison Schedule – Building Fund reported Debt Service expenditures in excess of appropriations in the amount of ($7,167,791.99). This variance is due to the County contributing county funds on hand to refinancing long term debt. The debt refinancing was approved by the County Commission.

Note 3. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

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MINNEHAHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Fire Fund	Law Library Fund	Pass Thru Grants Fund	Law Enfor Equip Fund	Museum Store Fund	Mus Enterprise Fund	Courthouse Art Fund	Public Library Fund
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$ 162,311.40	$ 11,003.44	$	$ 20,295.44	$ 22,285.82	$ 108,539.56	$ 29,347.95	$ 179,620.31
Cash With Trustee								
Taxes Receivable--Delinquent	5,313.27							
Due From Federal Government								11,178.71
Due from Others			854,065.77					
TOTAL ASSETS	$ 167,624.67	$ 11,003.44	$ 854,065.77	$ 20,295.44	$ 22,285.82	$ 108,539.56	$ 29,347.95	$ 190,799.02
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Claims Payable	$	$ 3,643.53	$	$ 3,691.10	$ 1,032.79	$ 299.19	$	$
Payroll Withholding Payable								
Deferred Revenue	5,313.27							11,178.71
Total Liabilities	5,313.27	3,643.53	0.00	3,691.10	1,032.79	299.19	0.00	11,178.71
Fund Balances:								
Reserved For:								
Law Library		7,359.91						
Domestic Abuse								
Unreserved Fund Balances:								
Designated for Next Year's Appropriation:								
Reported in:								
Special Revenue Funds	1,883.00							
Capital Project Funds					12,273.00			
Designated for Other Purposes:								
Reported in:								
Special Revenue Funds					8,980.03			
Undesignated:								
Reported in:								
Special Revenue Funds	160,428.40		854,065.77	16,604.34		108,240.37	29,347.95	179,620.31
Total Fund Balances	162,311.40	7,359.91	854,065.77	16,604.34	21,253.03	108,240.37	29,347.95	179,620.31
TOTAL LIABILITIES AND FUND BALANCES	$ 167,624.67	$ 11,003.44	$ 854,065.77	$ 20,295.44	$ 22,285.82	$ 108,539.56	$ 29,347.95	$ 190,799.02

MINNEHAHA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004
(continued)

	Museum Grants Fund	Emerg Mgmt Fund	FEMA Fund	Domestic Abuse Fund	Museum Lighting Fund	Capital Projects Coliseum Fund	Capital Projects Jail Fund	Total Nonmajor Governmental Funds
ASSETS:								
Current Assets:								
Cash and Cash Equivalents	$ 49,626.03	$ 81,148.15	$	$ 8,112.50	$ 16,143.10	$	$	$ 688,433.70
Cash With Trustee							8,324.00	8,324.00
Taxes Receivable--Delinquent								16,491.98
Due From Federal Government		153,350.00						1,007,415.77
Due from Others				2,070.00				2,070.00
TOTAL ASSETS	$ 49,626.03	$ 234,498.15	$ 0.00	$ 10,182.50	$ 16,143.10	$ 0.00	$ 8,324.00	$ 1,722,735.45
LIABILITIES AND FUND BALANCES:								
Liabilities:								
Claims Payable	$	$ 4,887.83	$	$	$	$	$ 1,281.45	$ 14,835.89
Payroll Withholding Payable		32.00						32.00
Deferred Revenue								16,491.98
Total Liabilities	0.00	4,919.83	0.00	0.00	0.00	0.00	1,281.45	31,359.87
Fund Balances:								
Reserved For:								
Law Library								7,359.91
Domestic Abuse				10,182.50				10,182.50
Unreserved Fund Balances:								
Designated for Next Year's Appropriation:								
Reported in:								
Special Revenue Funds								14,166.00
Capital Project Funds							7,042.55	7,042.55
Designated for Other Purposes:								
Reported in:								
Special Revenue Funds					16,143.10			25,123.13
Undesignated:								
Reported in:								
Special Revenue Funds	49,626.03	229,578.32						1,627,511.49
Total Fund Balances	49,626.03	229,578.32	0.00	10,182.50	16,143.10	0.00	7,042.55	1,691,375.58
TOTAL LIABILITIES AND FUND BALANCES	$ 49,626.03	$ 234,498.15	$ 0.00	$ 10,182.50	$ 16,143.10	$ 0.00	$ 8,324.00	$ 1,722,735.45

MINNEHAHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004

	Fire Fund	Law Library Fund	Pass Thru Grants Fund	Law Enforcemt Equipmt Grant Fund	Museum Store Fund	Mus Enterprise Fund	Courthouse Art Fund	Public Library Fund
Revenue:								
Taxes:								
General Property Taxes--Current	$ 291,795.82	$	$	$	$	$	$	$ 805,055.81
General Property Taxes--Delinquent	4,106.18							7,985.42
Penalties and Interest	892.55							1,639.14
Mobile Home Tax	229.61							507.50
Other Taxes	56.67							120.22
Licenses and Permits								
Intergovernmental Revenue:								
Federal Grants			3,659,585.63					
Federal Shared Revenue								
Federal Payments in Lieu of Taxes	125.06							283.17
State Grants								
State Shared Revenue:								
Bank Franchise	14,195.93							36,367.46
Charges for Goods and Services:								
General Government:								
Register of Deeds' Fees								
Culture and Recreation					26,728.76			
Fines and Forfeits:								
Fines		35,586.00						
Miscellaneous Revenue:								
Investment Earnings	2,466.07			835.65	343.72	1,593.02	404.60	2,436.73
Contributions and Donations								
Other				295.55		44,052.47		40.33
Total Revenue	313,862.89	35,586.00	3,659,585.63	1,131.20	27,072.48	45,645.49	404.60	854,635.76
Expenditures:								
General Government:								
Judicial System		33,798.51						
Financial Administration:								
Other			217,560.18					
Public Safety:								
Law Enforcement:								
Sheriff				52,042.89				
County Jail								
Protective and Emergency Services:								
Fire Protection	294,210.00							
Emergency and Disaster Services								
Health and Welfare:								
Economic Assistance:								
Support of Poor								
Other								
Culture and Recreation:								
Culture:								
Public Library								614,200.00
Historical Museum					34,815.12	54,147.59		
Economic Development-Other			2,587,759.66					
Capital Outlay				39,446.46				
Total Expenditures	294,210.00	33,798.51	2,805,319.84	91,489.35	34,815.12	54,147.59	0.00	614,200.00
Other Financing Sources (Uses):								
Transfers In								
Transfers Out								
Total Other Financing Sources (Uses)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Change in Fund Balances	19,652.89	1,787.49	854,065.77	(90,357.15)	(7,742.64)	(8,502.10)	404.60	40,435.76
Fund Balance - Beginning	142,658.51	5,572.42	0.00	106,961.49	28,995.67	116,742.47	28,943.35	139,184.53
FUND BALANCE - ENDING	$ 162,311.40	$ 7,359.91	$ 854,065.77	$ 16,604.34	$ 21,253.03	$ 108,240.37	$ 29,347.95	$ 179,620.31

MINNEHAHA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2004
(continued)

	Museum Grants Fund	Emerg Mgmt Fund	FEMA Fund	Domestic Abuse Fund	Museum Lighting Fund	Capital Projects Coliseum Fund	Capital Projects Jail Fund	Nonmajor Governmental Funds
Revenue:								
Taxes:								
General Property Taxes--Current	$	$	$	$	$	$	$	$ 896,851.63
General Property Taxes--Delinquent								12,091.60
Penalties and Interest								2,731.69
Mobile Home Tax								737.11
Other Taxes								176.89
Licenses and Permits				44,580.00				44,580.00
Intergovernmental Revenue:								
Federal Grants		2,276,527.20	14,700.00					6,950,912.63
Federal Shared Revenue		153,350.00						153,350.00
Federal Payments in Lieu of Taxes								411.23
State Grants	800.00							800.00
State Shared Revenue:								
Bank Franchise								80,563.39
Charges for Goods and Services:								
General Government:								
Register of Deeds' Fees				13,425.00				13,425.00
Culture and Recreation								28,728.76
Fines and Forfeits:								
Fines								35,566.00
Miscellaneous Revenue:								
Investment Earnings			35.19		43.10		87,922.49	76,082.57
Contributions and Donations					16,100.00			16,100.00
Other	33,987.00							78,375.35
Total Revenue	34,787.00	2,429,877.20	14,735.19	58,005.00	16,143.10	0.00	87,922.49	7,359,494.05
Expenditures:								
General Government:								
Judicial System								33,796.51
Financial Administration:								
Other								217,660.18
Public Safety:								
Law Enforcement:								
Sheriff								52,042.89
County Jail							75,754.10	75,754.10
Protective and Emergency Services:								
Fire Protection								294,210.00
Emergency and Disaster Services		2,248,418.13						2,248,418.13
Health and Welfare:								
Economic Assistance:								
Support of Poor			14,735.19					14,735.19
Other				60,060.00				60,060.00
Culture and Recreation:								
Culture:								
Public Library								514,200.00
Historical Museum	9,039.15							96,001.66
Economic Development-Other								2,567,759.66
Capital Outlay		178,158.91				126,715.91	1,508,838.49	1,862,156.77
Total Expenditures	9,039.15	2,426,577.04	14,735.19	60,060.00	0.00	126,715.91	1,584,592.59	8,148,999.31
Other Financing Sources (Uses):								
Transfers In		123,922.00				47,456.75		171,378.75
Transfers Out							(7,466,525.27)	(7,466,525.27)
Total Other Financing Sources (Uses)	0.00	123,922.00	0.00	0.00	0.00	47,456.75	(7,466,525.27)	(7,295,146.52)
Net Change in Fund Balances	25,747.85	127,222.16	0.00	(2,055.00)	16,143.10	(78,259.16)	(8,963,195.37)	(8,084,651.78)
Fund Balance - Beginning	23,878.18	102,356.16	0.00	12,237.50	0.00	78,259.16	8,990,237.92	9,779,027.36
FUND BALANCE - ENDING	$ 49,626.03	$ 229,578.32	$ 0.00	$ 10,182.50	$ 16,143.10	$ 0.00	$ 7,042.55	$ 1,691,375.58

MINNEHAHA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2004

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	2004 Expenditures
Department of Agriculture:		
Indirect Federal Funding:		
SD Cooperative Extension Service, Extension Postage Allocation	10.500	$ 7,823.38
Department of Housing and Urban Development:		
Indirect Federal Funding:		
SD Governor's Office of Economic Development, Community Development Block Grant/State' Program (Note 4)	14.228	3,411,297.19
Department of Interior:		
Direct Federal Funding:		
US Fish and Wildlife Service, Refuge Revenue Sharing Act (Note 2)	15.000	9,885.00
Department of Justice:		
Direct Federal Funding:		
Local Law Enforcement Block Grants Program	16.592	92,507.81
State Criminal Alien Assistance Program	16.606	41,493.00
Public Safety Partnership and Community Policing Grant (Note 3)	16.710	1,356,292.90
Indirect Federal Funding:		
S.D. Attorney General's Office, High Intensity Drug Traffic Area (HIDTA)	16.000	45,522.06
S.D. Department of Corrections, Juvenile Accountability Incentive Block Grant (Note 3 and 4)	16.523	257,500.44
S.D. Division of Criminal Investigation, Missing Children's Assistance	16.543	48,749.79
S.D. Sheriff's Association and S.D. Police Chiefs' Association, Public Safety Partnership and Community Policing Grant (Note 3)	16.710	105,225.66
S.D. Department of Public Safety--Highway Safety, Enforcing Underage Drinking Laws Program	16.727	10,177.39
Total Department of Justice		1,957,469.05
Department of Transportation:		
Indirect Federal Funding:		
S.D. Department of Public Safety--Highway Safety, Highway Planning and Construction	20.205	16,757.60
General Services Administration:		
Indirect Federal Funding:		
S.D. Federal Property Agency, Donation of Federal Surplus Personal Property (Note 5)	39.003	986.74
National Foundation on the Arts and Humanities:		
Indirect Federal Funding:		
S.D. Department of Tourism and State Development, Promotion of the Arts - Partnership Agreements	45.025	800.00

U.S. Department of Education:		
Indirect Federal Funding:		
S.D. Department of Human Services,		
Safe and Drug-Free School and Communities-State Grants (Note 4)	84.186	45,544.04
Department of Health and Human Services:		
Indirect Federal Funding:		
S.D. Department of Social Services,		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	18,394.36
Department of Homeland Security:		
Indirect Federal Funding:		
SD Department of Public Safety--Emergency Management,		
State Domestic Preparedness Equipment Support Program (Note 3)	97.004	2,138,434.54
Emergency Management Performance Grant	97.042	204,019.94
Pre-Disaster Mitigation (PDM)	97.047	2,750.00
Community Emergency Response Team (CERT)	97.054	28,505.68
Homeland Security Grant Program	97.067	31,817.96
United Way of America,		
Emergency Food and Shelter National Board Program	97.024	15,000.00
Total Department of Homeland Security		2,420,528.12
GRAND TOTAL		$ 7,889,485.48

Note 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the county and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

Note 3: This represents a Major Federal Financial Assistance Program.

Note 4: Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant - Southeast Technical Institute	14.228	$ 2,587,759.68
Juvenile Accountability Incentive Block Grant - Turning Point Outreach Center, Glory House, Sioux Falls Police Department, Sioux Council Boy Scouts, and Sioux Falls School District.	16.523	220,416.70
After School Care Program - Sioux Falls School District	84.186	45,544.04
Total		$ 2,853,720.42

Note 5: The amount reported represents 23.3% of the original acquisition cost of the federal surplus property received by the county.

APPENDIX D

FORM OF BOND COUNSEL OPINIONS

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ATTORNEYS AT LAW

$_____

Limited Tax General Obligation Certificates,
Evidencing Undivided Interests in Lease Payments to Be Made by the
Minnehaha County, South Dakota
Pursuant to a Lease-Purchase Agreement with
U.S. Bank National Association
Series 2005A

We have acted as Bond Counsel in connection with the issuance of the obligations described above, dated, as originally issued, October 1, 2005 (the "2005A Certificates"), pursuant to the Sixth Supplemental Declaration of Trust, dated as of September 1, 2005 (the "Trust Agreement") by U.S. Bank National Association, as trustee (the "Trustee") and joined in by Minnehaha County, South Dakota (the "County"), for the purpose of providing funds to refund a portion of the Certificates of Participation (Limited Tax Obligation) Series 1997A (the "1997A Certificates"), the Certificates of Participation (Limited Tax Obligation) Series 1999 (the "1999 Certificates") and the Certificates of Participation (Limited Tax Obligation) Series 2000 (the "2000 Certificates") which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of a work release facility, law enforcement facility, juvenile corrections facility, jail and courthouse.

For purposes of rendering this opinion, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the County and the Trustee, including the following:

(i) the Trust Agreement;

(ii) the Sixth Amendment to Lease Purchase Agreement, dated as of October 1, 2005 (the "Lease"), between the Trustee and the County;

(iii) the Resolution adopted by the County Board on August 30, 2005 (the "Resolutions") authorizing the execution and delivery of the Lease, and approving the Trust Agreement and the issuance of the 2005A Certificates;

(iv) such other documents as we have deemed relevant and necessary as a basis for the opinions set forth herein, including the form of the 2005A Certificates.

As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Trust Agreement and the Lease have been duly authorized, executed and delivered by the parties thereto and constitute valid and legally binding agreements of the parties

thereto enforceable in accordance with the respective terms thereof, except to the extent to which enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

2. The 2005A Certificates evidencing proportionate interests in the right to receive Lease Payments (as defined in the Lease) and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings, and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The 2005A Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement and by a leasehold mortgage on certain property described in the Trust Agreement.

3. By the Resolution, the County has covenanted and agreed to include in its annual budget, for each fiscal year during the term of the Lease, moneys sufficient to pay the Lease Payments and other amounts payable under the Lease, and to take all actions necessary to provide moneys for payment of its obligations under the Lease, including the levy of ad valorem taxes therefor, subject only to the limitations on such levies imposed by South Dakota law.

4. The interest component of the Lease Payments to be received by the Owners of the 2005A Certificates: (a) is not includable in gross income for federal income tax purposes; (b) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers; (c) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations; and (d) is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

The opinions expressed in paragraph 4 above are subject to the condition of compliance by the County with all requirements of the Code that must be satisfied subsequent to the issuance of the 2005A Certificates in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes and that the Lease and the 2005A Certificates be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Failure to do so could result in the inclusion of the interest component of the Lease Payments to be received by the Owners of the 2005A Certificates in gross income for federal income tax purposes, retroactive to the date of issuance of the 2005A Certificates. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to Owners of the 2005A Certificates.

Dated this _____day of October, 2005.

LINDQUIST & VENNUM P.L.L.P.

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ATTORNEYS AT LAW

$_____

Limited Tax General Obligation Certificates,
Evidencing Undivided Interests in Lease Payments to Be Made by the
Minnehaha County, South Dakota
Pursuant to a Lease-Purchase Agreement with
U.S. Bank National Association
Series 2005B

We have acted as Bond Counsel in connection with the issuance of the obligations described above, dated, as originally issued, October 1, 2005 (the "2005B Certificates"), pursuant to the Third Supplemental Declaration of Trust, dated as of October 1, 2005 (the "Trust Agreement") by U.S. Bank National Association, as trustee (the "Trustee") and joined in by Minnehaha County, South Dakota (the "County"), for the purpose of providing funds to refund a portion of the Certificates of Participation (Limited Tax Obligation) Series 1995 (the "1995 Certificates") and the Certificates of Participation (Limited Tax Obligation) Series 1997B (the "1997B Certificates") which were issued to pay all or a portion of the costs of acquisition, construction, furnishing and equipping of the Sioux Empire Fair Expo building.

For purposes of rendering this opinion, we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished by the County and the Trustee, including the following:

(i) the Trust Agreement;

(ii) the Third Amendment to Lease Purchase Agreement, dated as of October 1, 2005 (the "Lease"), between the Trustee and the County;

(iii) the Resolution adopted by the County Board on August 30, 2005 (the "Resolutions") authorizing the execution and delivery of the Lease, and approving the Trust Agreement and the issuance of the 2005B Certificates;

(iv) such other documents as we have deemed relevant and necessary as a basis for the opinions set forth herein, including the form of the 2005B Certificates.

As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates, and on the basis of existing law, it is our opinion that:

1. The Trust Agreement and the Lease have been duly authorized, executed and delivered by the parties thereto and constitute valid and legally binding agreements of the parties thereto enforceable in accordance with the respective terms thereof, except to the extent to which

enforceability thereof may be limited by the exercise of judicial discretion or by state or federal laws relating to bankruptcy, reorganization, moratorium or creditors' rights.

2. The 2005B Certificates evidencing proportionate interests in the right to receive Lease Payments (as defined in the Lease) and certain other payments, revenues and receipts derived under the Lease, including certain funds, interest earnings, and insurance and condemnation proceeds, all in the manner set forth in the Trust Agreement. The 2005B Certificates are secured by a pledge of such payments, revenues and receipts under the Trust Agreement and by a leasehold mortgage on certain property described in the Trust Agreement.

3. By the Resolution, the County has covenanted and agreed to include in its annual budget, for each fiscal year during the term of the Lease, moneys sufficient to pay the Lease Payments and other amounts payable under the Lease, and to take all actions necessary to provide moneys for payment of its obligations under the Lease, including the levy of ad valorem taxes therefor, subject only to the limitations on such levies imposed by South Dakota law.

4. The interest component of the Lease Payments to be received by the Owners of the 2005B Certificates: (a) is not includable in gross income for federal income tax purposes; (b) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers; (c) is includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on corporations; and (d) is includable in gross income for South Dakota tax purposes when the recipient is a financial institution as defined in South Dakota Codified Laws, Chapter 10-43.

The opinions expressed in paragraph 4 above are subject to the condition of compliance by the County with all requirements of the Code that must be satisfied subsequent to the issuance of the 2005B Certificates in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes and that the Lease and the 2005B Certificates be and continue to be qualified tax-exempt obligations. The County has covenanted to comply with these continuing requirements. Failure to do so could result in the inclusion of the interest component of the Lease Payments to be received by the Owners of the 2005B Certificates in gross income for federal income tax purposes, retroactive to the date of issuance of the 2005B Certificates. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to Owners of the 2005B Certificates.

Dated this _____day of October, 2005.

LINDQUIST & VENNUM P.L.L.P.